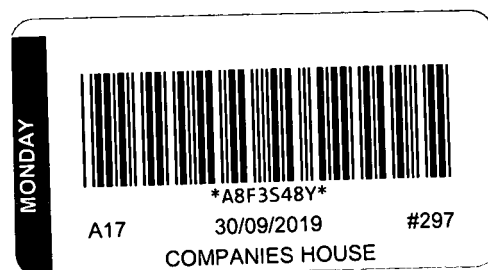


**Company Registration No: 01823605**

**Dorchester Group Limited**

**Report and Financial Statements**

**31 December 2018**



# **Dorchester Group Limited**

## **Report and Financial Statements 2018**

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# **Dorchester Group Limited**

## **Strategic report for the year ended 31 December 2018**

This Strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Dorchester Group Limited ('DGL') and its subsidiary undertakings when viewed as a whole.

The directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

### **The business model**

The principal activities of the Group comprise owning, leasing, managing, and investing in deluxe five-star hotels as well as providing other hotel management services. In addition the Group owns commercial properties in the USA. Dorchester Group Limited is a limited liability company domiciled and registered in England and Wales.

During the year, the Group continued to manage and operate the following:

### **Owned properties:**

The Dorchester Hotel, London;  
The Beverly Hills Hotel, Los Angeles;  
Le Meurice, Paris;  
Hotel Principe di Savoia, Milan;  
Hotel Plaza Athenee, Paris;  
Hotel Eden, Rome; and  
Hotel Bel-Air, Los Angeles

### **Leased properties:**

Coworth Park, Ascot; and  
45 Park Lane; London

### **Investment properties:**

2 properties in the USA (in Washington and Boston)

### **Other services:**

Dorchester Services Limited also offers technical services under contracts with other hotel owners/developers as it has done in the past for various refurbishments of hotel properties.

### **Future Operations**

The directors expect the Group to continue with its current activities of owning, leasing and managing hotels for the foreseeable future as well as continuing to look for other opportunities to explore and develop new projects under the DC brand. The Group has entered into a contract to manage a luxury hotel and luxury residences in Dubai which is expected to open for business in 2020. The investment properties, operating very successfully in the USA, are expected to deliver substantial results both in operating terms and in capital appreciation.

# **Dorchester Group Limited**

## **Strategic report for the year ended 31 December 2018 (continued)**

### **Strategy and objectives**

The primary objective of the Group is to become the 'ultimate' hotel operating and managing group in the luxury hotel market in regions where the Group has a presence. The aim is to be recognised as having a passion for excellence and innovation but still honouring the individuality and heritage of our iconic hotels.

This will be achieved through the combination of People, Guests and Owners:

**People** – our people are our greatest asset and by having a highly skilled and decisive leadership the Group attracts, develops, retains and inspires the most talented people. Coupled with sincere engagement and integrity the Group builds dynamic and passionate teams in each of its hotels.

**Guests** – all our guests are valued and our aim is to make them long to return to our hotels which given the authenticity of their locations, are 'the places to be seen' where they can enjoy exceptional experiences in a private and discreet environment.

**Shareholders** – having a supportive and active shareholder who know that their prestigious properties are professionally managed, financial performance is optimised, and asset values enhanced and yet retain each hotels individuality.

### **Key performance indicators**

In addition to the generally accepted and practiced hotel measurements of occupancy, average room rate and average daily rate the Group uses the following key indicators to assess its effectiveness in the above areas:

**People** - Use of Employee Satisfaction Surveys (ESS) combined with Gallup Guest surveys reflecting employee to guest engagement.

**Guests** – Use of Gallup poll and introduction of new loyalty programmes and increased data holding to monitor guest repeat factors.

**Owners** – Financial metrics such as Incremental Yield, Return on Investment and Payback approaches to maximise profitability and long term shareholder value in the assessment of capital expenditures related to upgrades or extension of facilities, along with managing diligently owners policy of allocating 4% of revenues for normal capital maintenance.

### **Review of the Group's business**

The consolidated profit for the year is £32.6m (2017: £51.8m). The Group's reported profit for the current year benefited from the recognition of a large deferred tax asset in respect of tax losses due to the improved performance in the Group's hotel business in the United States. The Group's reported profit for the prior year was also re-stated by £1,155,000 to account for the reduction in the French corporation tax rate, in December 2017, from 33% to 25%.

During 2018 the hotel business recorded improvements on previous year in both revenue & operating results across the USA and continental Europe. Our US hotels continue to perform and those in Europe continue to do quite well. The Group's hotel occupancy rate was 76% (2017: 73.8%), whilst the average room rate increased from £602 to £633 and RevPAR (revenue per available room) increased (including the effect of currency fluctuations) from £444 to £481.

The investment property business reported a lower profit than in the previous year, due mainly to a deterioration in asset values.

The results for the year are therefore considered to be acceptable.

Given the current acute political and economic uncertainty in the UK and continental Europe and the reactions to recent legislative changes in Brunei, we expect to see a downturn in current levels of business. This is being monitored and tracked and the company is realigning its strategy accordingly.

## **Strategic report for the year ended 31 December 2018 (continued)**

### **Review of the Group's business (continued)**

We continue to believe that the Dorchester Collection (DC)'s customer geographic representation is varied and the Group continues to be well placed in its existing mature markets in Europe, USA and in other critical markets such as Russia and the Middle East, whilst also turning the Group's attention to focus on the ever growing traffic from the Chinese market. This, together with robust sales, marketing and revenue management strategies and the ability to build compelling product offerings will continue to help DC in increasing its market share during periods of both high and low overall demand.

### **Future developments**

The Group continues to look for and actively considers a variety of methods and opportunities to further its aim of increasing the size of its hotel portfolio. This is not only in terms of asset value and trading performance through organic growth of the existing hotels but also through acquisition opportunities and increasingly through the potential opportunities that third party management contracts offer. All of these activities will serve to increase the exposure and value of the DC brand name around the world markets that are the source for the bulk of our guests.

### **Principal risks and uncertainties**

The most important components of financial risk are interest rate risk, foreign currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the international nature of the Group's business and the assets and liabilities contained within the Group's balance sheet, the directors consider two types of risk to be most relevant to this Group: interest rate and currency risk.

Currently the Group mitigates interest rate risk by the partial use of fixed interest rate loans for the medium term. Funding for the hotels is arranged centrally by the company who regularly monitor interest rate risk. Foreign currency risk is mitigated by each hotel having local bank accounts and loans in the local currency, which reduces its exposure to adverse movements in foreign exchange rates.

The directors monitor the wider business considerations and implications including those related to exchange rates, interest rates and continue to plan accordingly.

### **Corporate and social responsibility**

The area of corporate responsibility is one that the Group has always focused on and in conjunction with the hotels has been initiating standardised policies and procedures for all hotels to adopt to ensure that there is uniformity and standardised approach to these. This covers the impact on people, the workplace, the environment, waste reduction and interaction with the community.

Inclusion, diversity and equality are the foundation and core values of DC, and there is no toleration of any form of discrimination. All guests and employees are treated fairly and with respect.

# **Dorchester Group Limited**

## **Strategic report for the year ended 31 December 2018 (continued)**

### **Going concern**

The directors have acknowledged the latest guidance on going concern. Although the Group is profitable it has net current liabilities of £210m at 31 December 2018 (2017: £230m) as a result of loans from group companies. The company has the continuing support of its ultimate parent, the Brunei Investment Agency and the directors have considered its ability to provide support. The Directors have reviewed the Group's budget for the next year and considered other plans, concluding that the Group is well placed to manage its business risks successfully. For these reasons, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

Approved by the Board of Directors  
and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'Dato Dr Amin Liew Abdullah', written over a horizontal line.

Dato Dr Amin Liew Abdullah  
**Chairman**

**26** September 2019

# **Dorchester Group Limited**

## **Directors' report for the year ended 31 December 2018**

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2018.

There are no significant events since the balance sheet date. An indication of likely future developments in the business of the company are included in the strategic report.

Information about the use of financial instruments by the company and its subsidiaries is given in note 38 to the financial statements and information about future developments is in the strategic report.

### **Dividend**

No dividends were paid during the year (2017: £ nil). The Group made a profit of £32.6m (2017: profit £51.8m), which was transferred to retained earnings.

### **Capital structure**

Details of the authorised and issued share capital, together with details of the movements in the company's issued share capital during the year are shown in note 27. The company has one class of ordinary shares which carry no right to fixed income.

### **Directors and their interests**

The details of the directors of the company, who served throughout the year and up to the date of signing the financial statements, are as follows:

Dato Dr Amin Liew Abdullah  
Junaidi bin Haji Masri (resigned 10 September 2018)  
Sofian bin Md Jani  
Azmi Rahman Ibrahim

The directors do not have any beneficial interests in the share capital of the company or its subsidiary undertakings.

### **Directors' indemnities**

There are no third party indemnities as at 31 December 2018 (2017: nil).

### **Employees**

It is the Group's continuing policy and practice to involve staff by providing and receiving information relevant to the progress, development and performance of the Group. Matters of concern to staff as employees were communicated through briefing by executives and heads of departments, a newsletter and training courses. Consultation with staff on matters affecting their interests and the general efficiency of the Group took place in various ways; one of these was through the elected staff representatives on a consultative committee which met regularly during the year.

In relation to the employment of disabled persons, the Group's policy is to give the same consideration to disabled people as to other people, in regard to applications for employment, continuation of employment, training, career development and promotion, having regard to their particular aptitudes and abilities.

### **Political and charitable contributions**

During the year, the Group made donations totalling £57,000 (2017: £168,000) for charitable purposes. There were no political donations (2017: £nil).

# **Dorchester Group Limited**

## **Directors' report for the year ended 31 December 2018 (continued)**

### **Disclosure of information to Auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

BDO LLP who were appointed during the year, have expressed their willingness under section 487(2) to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

### **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group and parent company for that period. In preparing the financial statements, the directors are required to select suitable accounting policies and then apply them consistently; state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements; make judgements and accounting estimates that are reasonable and prudent; and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



**Sofian bin Md Jani**  
**Director**

**26** September 2019



# **Dorchester Group Limited**

## **Independent Auditor's Report To Members Of Dorchester Group Limited for the year ended 31 December 2018**

### **Opinion**

We have audited the financial statements of Dorchester Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2018 which comprise the Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated cash flow statement, Company statement of financial position, Company statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent

## **Independent Auditor's Report To Members Of Dorchester Group Limited for the year ended 31 December 2018 (continued)**

material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of Directors**

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **Dorchester Group Limited**

### **Independent Auditor's Report To Members Of Dorchester Group Limited for the year ended 31 December 2018 (continued)**

#### **Use of our report**

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*BDO LLP*

Stuart Collins (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK

Date *26 September 2019*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

# Dorchester Group Limited

## Consolidated statement of comprehensive income For the year ended 31 December 2018

|  | Note   | 2018<br>£'000        | 2017<br>£'000<br>Restated |
|--|--------|----------------------|---------------------------|
| Revenue  | 5      | 411,153              | 384,393                   |
| Cost of sales  |        | (206,661)            | (199,673)                 |
| <b>Gross Profit</b>  |        | <u>204,492</u>       | <u>184,720</u>            |
| Administration expenses  |        | (165,380)            | (157,781)                 |
| Unrealised (loss)/gain on properties                                       | 7      | (693)                | 4,605                     |
| <b>Operating Profit</b>  | 8      | <u>38,419</u>        | <u>31,544</u>             |
| Other gains/(losses)   | 9      | -                    | 2,641                     |
| Investment income  | 11     | 356                  | 56                        |
| Finance costs  | 12     | (10,277)             | (9,598)                   |
| <b>Profit before tax</b>   |        | <u>28,498</u>        | <u>24,643</u>             |
| Tax on Profit for the year   | 13     | 4,120                | 27,141                    |
| <b>Profit for the year</b>   |        | <u><u>32,618</u></u> | <u><u>51,784</u></u>      |
| <b>Items that will not be reclassified subsequently to profit and loss</b> |        |                      |                           |
| Surplus on property revaluation  |        | 15,178               | 25,671                    |
| Actuarial gains on defined benefit pension schemes                         | 37     | 351                  | 742                       |
| Income tax relating to items not re-classified                             | 13, 23 | (3,912)              | 27,422                    |
|  |        | <u>11,617</u>        | <u>53,835</u>             |
| <b>Items that may be reclassified subsequently to profit and loss</b>      |        |                      |                           |
| Currency retranslation gains/(losses)                                      | 14     | 38,856               | (35,585)                  |
|  |        | <u>38,856</u>        | <u>(35,585)</u>           |
| <b>Other comprehensive income for the year, net of tax</b>                 |        | <u>50,473</u>        | <u>18,250</u>             |
| <b>Total comprehensive income for the year</b>                             |        | <u><u>83,091</u></u> | <u><u>70,034</u></u>      |

The notes on pages 17 to 57 form an integral part of these financial statements.

Total comprehensive income for both years is attributable solely to the shareholder of the company:

# Dorchester Group Limited

## Consolidated statement of financial position As at 31 December 2018

|                                | Note | 2018<br>£'000           | 2017<br>£'000<br>Restated | 2016<br>£'000<br>Restated |
|--------------------------------|------|-------------------------|---------------------------|---------------------------|
| <b>Non-current assets</b>      |      |                         |                           |                           |
| Goodwill                       | 15   | 49,464                  | 49,076                    | 47,334                    |
| Other intangible assets        | 16   | 6,644                   | 6,113                     | 3,562                     |
| Property, plant and equipment  | 17   | 1,846,760               | 1,797,984                 | 1,780,761                 |
| Investment property            | 18   | 206,829                 | 190,632                   | 200,001                   |
| Trade and other receivables    |      | -                       | -                         | 2,066                     |
|                                |      | <u>2,109,697</u>        | <u>2,043,805</u>          | <u>2,033,724</u>          |
| <b>Current assets</b>          |      |                         |                           |                           |
| Inventories                    | 20   | 9,644                   | 8,865                     | 8,306                     |
| Trade and other receivables    | 21   | 45,779                  | 45,416                    | 43,593                    |
| Cash and cash equivalents      | 35   | 110,799                 | 87,458                    | 91,866                    |
|                                |      | <u>166,222</u>          | <u>141,739</u>            | <u>143,765</u>            |
| <b>Total assets</b>            |      | <u><u>2,275,919</u></u> | <u><u>2,185,544</u></u>   | <u><u>2,177,489</u></u>   |
| <b>Current liabilities</b>     |      |                         |                           |                           |
| Trade and other payables       | 24   | 92,877                  | 81,105                    | 80,605                    |
| Current tax liabilities        | 25   | 1,929                   | -                         | 517                       |
| Financial liabilities          | 22   | 281,508                 | 290,753                   | 269,567                   |
|                                |      | <u>376,314</u>          | <u>371,858</u>            | <u>350,689</u>            |
| <b>Net current liabilities</b> |      | <u>(210,092)</u>        | <u>(230,119)</u>          | <u>(206,924)</u>          |
| <b>Non-current liabilities</b> |      |                         |                           |                           |
| Financial liabilities          | 22   | 359,185                 | 356,076                   | 371,339                   |
| Defined benefit liabilities    | 37   | 12,098                  | 12,694                    | 13,666                    |
| Deferred tax liabilities       | 23   | 264,957                 | 263,322                   | 329,371                   |
| Trade and other payables       | 24   | 3,275                   | 3,856                     | 4,287                     |
| Long-term provisions           | 26   | 1,404                   | 2,251                     | 3,008                     |
|                                |      | <u>640,919</u>          | <u>638,199</u>            | <u>721,671</u>            |
| <b>Total liabilities</b>       |      | <u><u>1,017,233</u></u> | <u><u>1,010,057</u></u>   | <u><u>1,072,360</u></u>   |
| <b>Net assets</b>              |      | <u><u>1,258,686</u></u> | <u><u>1,175,487</u></u>   | <u><u>1,105,129</u></u>   |

# Dorchester Group Limited

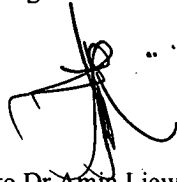
## Consolidated statement of financial position (continued) As at 31 December 2018

|                     | Note | 2018<br>£'000    | 2017<br>£'000    | 2016<br>£'000    |
|---------------------|------|------------------|------------------|------------------|
|                     |      |                  | Restated         | Restated         |
| <b>Equity</b>       |      |                  |                  |                  |
| Share capital       | 27   | 120,009          | 120,009          | 120,009          |
| Share premium       | 28   | 37,711           | 37,711           | 37,711           |
| Capital reserve     | 29   | 11,679           | 11,571           | 11,247           |
| Revaluation reserve | 30   | 623,071          | 611,557          | 553,346          |
| Merger reserve      | 31   | 93,437           | 93,437           | 93,437           |
| Translation reserve | 32   | 114,732          | 75,876           | 116,758          |
| Retained earnings   | 33   | 258,047          | 225,326          | 172,621          |
| <b>Total equity</b> |      | <u>1,258,686</u> | <u>1,175,487</u> | <u>1,105,129</u> |

The notes on pages 17 to 57 form an integral part of these financial statements.

The financial statements of Dorchester Group Limited (registered number 01823605) were approved by the Board of Directors on **26** September 2019.

Approved by the Board of Director  
and signed on behalf of the Board.



Dato Dr Amin Liew Abdullah  
**Chairman**



Sofian bin Md Jani  
**Director**

# Dorchester Group Limited

## Consolidated statement of changes in equity For the year ended 31 December 2018

| Note   | 27                        | 28                                   | 29                          | 30                              | 31                         | 32                              | 33                            |                          |
|--|---------------------------|--------------------------------------|-----------------------------|---------------------------------|----------------------------|---------------------------------|-------------------------------|--------------------------|
|  | Share<br>capital<br>£'000 | Share<br>premium<br>account<br>£'000 | Capital<br>Reserve<br>£'000 | Revaluation<br>reserve<br>£'000 | Merger<br>reserve<br>£'000 | Translation<br>reserve<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>equity<br>£'000 |
| <b>Balance at 1 January<br/>2017 Restated</b>        | 120,009                   | 37,711                               | 11,247                      | 553,346                         | 93,437                     | 116,758                         | 172,621                       | 1,105,129                |
| Profit for the year                                  | -                         | -                                    | -                           | -                               | -                          | -                               | 51,784                        | 51,784                   |
| Other comprehensive<br>income for the years          | -                         | -                                    | -                           | 58,211                          | -                          | (40,882)                        | 921                           | 18,250                   |
| <b>Total comprehensive<br/>income for the year</b>   | -                         | -                                    | -                           | 58,211                          | -                          | (40,882)                        | 52,705                        | 70,034                   |
| Capital contributions                                | -                         | -                                    | 324                         | -                               | -                          | -                               | -                             | 324                      |
| <b>Balance at<br/>31 December 2017</b>               | 120,009                   | 37,711                               | 11,571                      | 611,557                         | 93,437                     | 75,876                          | 225,326                       | 1,175,487                |
| Profit for the year                                  | -                         | -                                    | -                           | -                               | -                          | -                               | 32,618                        | 32,618                   |
| Other comprehensive<br>income/(loss) for the<br>year | -                         | -                                    | -                           | 11,514                          | -                          | 38,856                          | 103                           | 50,473                   |
| <b>Total comprehensive<br/>income for year</b>       | -                         | -                                    | -                           | 11,514                          | -                          | 38,856                          | 32,721                        | 83,091                   |
| Capital contributions                                | -                         | -                                    | 108                         | -                               | -                          | -                               | -                             | 108                      |
| <b>Balance at<br/>31 December 2018</b>               | 120,009                   | 37,711                               | 11,679                      | 623,071                         | 93,437                     | 114,732                         | 258,047                       | 1,258,686                |

The notes on pages 17 to 57 form an integral part of these financial statements.

# Dorchester Group Limited

## Consolidated cash flow statement

For the year ended 31 December 2018

|   | Note | Year ended<br>2018<br>£'000 | Year ended<br>2017<br>£'000 |
|---|------|-----------------------------|-----------------------------|
| <b>Profit for the year before tax</b>   |      | 28,498                      | 24,643                      |
| <b>Adjustments for:</b>   |      |                             |                             |
| Finance income  |      | (356)                       | (56)                        |
| Foreign exchange loss/(gain) on financial liabilities   |      | 6,454                       | (1,246)                     |
| Finance costs   |      | 10,277                      | 9,598                       |
| Depreciation of property, plant and equipment   |      | 23,989                      | 28,418                      |
| Amortisation of intangibles   |      | 1,677                       | 1,245                       |
| Loss on disposal of property, plant and equipment   |      | 54                          | 67                          |
| Decrease/(increase) in fair value of investment property                                      |      | 2,049                       | (6,728)                     |
| (Decrease) in provisions  |      | (885)                       | (668)                       |
| Revaluation gain on hotel property  |      | (1,356)                     | 2,123                       |
| <b>Operating cash flows before movements in working capital</b>                               |      | 70,401                      | 57,396                      |
| (Increase) in inventories   |      | (779)                       | (559)                       |
| Decrease/(Increase) in receivables  |      | (1,511)                     | 1,489                       |
| (Decrease)/Increase in payables   |      | 11,862                      | (419)                       |
| <b>Cash generated by operations</b>   |      | 79,973                      | 57,907                      |
| Income taxes paid   |      | (530)                       | (5,564)                     |
| Interest paid   |      | (9,839)                     | (9,775)                     |
| <b>Net cash generated from operating activities</b>   |      | 69,604                      | 42,568                      |
| <b>Investing activities</b>   |      |                             |                             |
| Interest received   |      | 356                         | 56                          |
| Purchases of property, plant and equipment additions to investment properties and intangibles |      | (33,002)                    | (36,305)                    |
| Sale of property, plant and equipment   |      | 108                         | -                           |
| <b>Net cash used in investing activities</b>  |      | (32,538)                    | (36,249)                    |
| <b>Financing activities</b>   |      |                             |                             |
| Repayments of financial liabilities   |      | (18,854)                    | (12,705)                    |
| Loans advanced  |      | 188                         | 5,645                       |
| <b>Net cash (used in)/generated from financing activities</b>                                 |      | (18,666)                    | (7,060)                     |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                                   |      | 18,400                      | (741)                       |
| <b>Cash and cash equivalents at beginning of year</b>   |      | 87,458                      | 91,866                      |
| Effect of foreign exchange rate changes   |      | 4,941                       | (3,667)                     |
| <b>Cash and cash equivalents at end of year</b>   |      | 110,799                     | 87,458                      |

The notes on pages 17 to 57 an integral part of these financial statements.



# **Dorchester Group Limited**

## **Notes to the consolidated financial statements For the year ended 31 December 2018**

### **1. General information**

Dorchester Group Limited (the “company”) is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 3 Tilney Street, London W1K 1BQ. The nature of the company and its subsidiaries’ (together the “Group’s”) operations, its principal activities and business review are set out in the strategic report on page 3. Accounting policies have been applied consistently, other than where new policies have been adopted.

These financial statements are presented in pounds sterling and have been rounded to thousands. The functional currencies of Group companies are the currency in which the particular company operates, which is Sterling, Euro or US dollar. Foreign operations are included in accordance with the policies set out in note 3.

### **2. New standards and amendments**

#### **(a) New standards, amendments and interpretations adopted by the company**

New standards impacting the Group that have been adopted in the annual financial statements for the year ended 31 December 2018, and which have given rise to changes in the Group’s accounting policies are:

**IFRS9 ‘Financial Instruments’:** The adoption of IFRS 9 has no material impact on the Company’s financial statements and subsequently prior comparatives have not been restated. The Group’s assessment of IFRS9 determined that the main area of potential impact was impairment provisioning on trade receivables given the requirement to use a forward looking expected credit loss model. The Company has determined that the provision arising from the expected credit losses on financial assets is in line with previous provisioning methodology and that there have been no changes as a result of the adoption of the new classification and measurement model and all financial assets are at amortised cost.

**IFRS 15 ‘Revenue from contracts with customers’:** The adoption of IFRS 15 has not had a material impact on the Company’s financial statements. The Company has determined that the previous policy for recognising revenue is in line with the IFRS15 requirements.

#### **(b) New standards, amendments and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019, and have not been applied in preparing these financial statements.

**IFRS 16, ‘Leases’** sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard replaces IAS 17 Leases. The new standard substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, it introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Management have assessed the main impact will be in respect of the two leased hotel properties. Management are still in the process of assessing the financial impact of this standard.

**IFRIC 23 Uncertainty over Income Tax Positions** clarifies how to recognise and measure current and deferred income tax assets and Annual Improvements to IFRS Standards 2015–2017 Cycle from the IFRS Interpretations Committee, (“IFRIC”). Management do not expect this to have a material effect on the company.

# **Dorchester Group Limited**

## **Notes to the consolidated financial statements (continued)** **For the year ended 31 December 2018**

### **3. Significant accounting policies**

#### **Basis of accounting**

The financial statements are prepared under the historical cost convention, modified to include the revaluation of investment properties and land and buildings and are in accordance with the Companies Act 2006 as applicable to companies using International Financial Reporting Standards (IFRS) as adopted by the European Union. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies are set out below.

Fair value is the price that would be receivable to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of the asset or the liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for leasing transactions that are within the scope of IAS 17, and the measurements that have similarities to fair value but are not fair value, such as net realisable value in IAS 2 or the value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can assess at the measurement date;
- Level 2 inputs are inputs, or other quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### **Basis of consolidation**

The Group financial statements consolidate the financial statements of the Dorchester Group Limited and its subsidiary undertakings drawn up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

All subsidiaries are 100% owned either directly or indirectly.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows in relation to transactions between the members of the Group are eliminated on consolidation.

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 3. Significant accounting policies (continued)

#### Going concern

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future, as further discussed in the Strategic Report on page 6.

#### Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit and loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income taxes and IAS 19 Employee benefits respectively.

#### Contribution of business by shareholder

Contributions of businesses by the shareholder are outside the scope of IFRS 3 *Business combinations* and are accounted for using merger accounting principles and credited to the merger reserve.

#### Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

# **Dorchester Group Limited**

## **Notes to the consolidated financial statements (continued) For the year ended 31 December 2018**

### **3. Significant accounting policies (continued)**

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue is reduced for customer rebates and other similar allowances.

Revenue comprises:

- Income from the ownership and operation of hotels and is recognised as the related services are provided.
- Rental income from investment properties and is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.
- Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

In the event costs are incurred in order to obtain new hotel management agreements the cost of consideration paid is deferred over the period for which the new hotel management agreement is granted and amortised over the minimum contract period.

#### **Leases**

Leases are classified as either finance leases or operating leases. Finance leases occur whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### ***The Group as a lessor***

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are expensed as incurred.

#### ***The Group as a lessee***

Assets held under finance leases and other similar contracts are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful economic lives. The capital elements of the finance lease obligations are recorded as liabilities, whilst the interest elements are charged to profit or loss over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Amounts payable under operating leases are charged to profit or loss on an accruals basis.

#### **Foreign currencies**

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in Pounds Sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

# **Dorchester Group Limited**

## **Notes to the consolidated financial statements (continued)** **For the year ended 31 December 2018**

### **3. Significant accounting policies (continued)**

#### **Foreign currencies (continued)**

The assets and liabilities of foreign subsidiaries are translated into Sterling at the closing rates of exchange and the differences arising from the translation of the opening net investment in subsidiaries at the closing rate and matched long-term foreign currency borrowings are taken direct to translation reserve and reported in the statement of comprehensive income. The revenues and expenses of foreign subsidiaries are translated into Sterling at the average rate of exchange for the period.

#### **Retirement benefit obligations**

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in profit or loss if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the consolidated statement of financial position.

For defined contribution schemes the amount charged to profit or loss in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the consolidated statement of financial position.

Further information on pension arrangements is set out in note 37.

#### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

# **Dorchester Group Limited**

## **Notes to the consolidated financial statements (continued)** **For the year ended 31 December 2018**

### **3. Significant accounting policies (continued)**

#### **Taxation (continued)**

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

#### **Property, plant and equipment**

Land and buildings are stated at valuation, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Plant and equipment is stated at cost, net of accumulated depreciation and any provision for impairment. Depreciation is provided on plant and equipment and freehold and leasehold buildings, to write off the carrying value less the estimated residual value by equal instalments over their estimated useful economic lives as follows:

|                                  |   |               |
|----------------------------------|---|---------------|
| Leasehold land and buildings     | - | Life of lease |
| Freehold buildings               | - | 50 years      |
| Plant and machinery              | - | 4-15 years    |
| Fixtures, fittings and equipment |   | 5 years       |

No depreciation is provided on freehold land.

Any revaluation increase arising on the revaluation of freehold buildings is credited to revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. Depreciation on re-valued freehold buildings is charged to income.

Assets under construction includes the capitalisation of costs of development or refurbishment that are directly attributable. These assets are recognised once they meet the recognition criteria, i.e. when probable future economic benefits associated with the item will flow to the entity and the cost can be reliably measured. Depreciation of properties in the course of construction is provided on the same basis as other property assets, in that it commences when the assets are ready for their intended use.

# **Dorchester Group Limited**

## **Notes to the consolidated financial statements (continued)** **For the year ended 31 December 2018**

### **3. Significant accounting policies (continued)**

#### **Investment property**

Investment property held by the Group is held to earn rentals and/or for capital appreciation. Investment property is stated at fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise. Investment property is initially recorded at cost along with any initial transaction charges. Details of valuations to determine fair value are given in note 18.

#### **Intangible assets**

Computer software is internally generated and is included in the consolidated statement of financial position as an intangible asset and is recorded initially at cost and then amortised over its expected useful life of between three and five years on a straight-line basis.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development, employee costs and an appropriate portion of relevant overheads.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated impairment losses.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. Provision is made for obsolete, slow-moving or defective items where appropriate.

# **Dorchester Group Limited**

## **Notes to the consolidated financial statements (continued) For the year ended 31 December 2018**

### **3. Significant accounting policies (continued)**

#### **Trade and other receivables**

Trade and other receivables are amounts due for services performed in the ordinary course of business, which generally have 30 day payment terms.

Trade and other receivables are initially recognised at fair value, normally equivalent to the invoice amount, and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS9 using a provision matrix in the determination of lifetime expected credit losses. During this process the probability of the non-payment of the trade receivable is assessed and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. Balances are written off when the receivable amount is deemed irrecoverable.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits at call with banks, other short term highly liquid investment with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities

#### **Trade and other payables**

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **Impairment**

The carrying amounts of the Group's non-financial assets, excluding investment properties and land and buildings (as they are revalued regularly), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of assets is the greater of their net realisable value and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

Impairment is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.



# **Dorchester Group Limited**

## **Notes to the consolidated financial statements (continued) For the year ended 31 December 2018**

### **3. Significant accounting policies (continued)**

#### **Financial assets and liabilities**

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. In the case of loans not at a market rate of interest, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

#### **Financial assets: Loans and receivables**

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

#### **Financial liabilities: Borrowings and payables**

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with finance costs recognised over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

#### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

# **Dorchester Group Limited**

## **Notes to the consolidated financial statements (continued) For the year ended 31 December 2018**

### **4. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical accounting policies where judgements or estimations are necessarily applied are summarised below.

#### **Investment property and property, plant and equipment**

Property is revalued annually which requires an assessment of each property's future earnings and the choice of an appropriate discount rate. The directors obtain valuation advice from professional valuers (see note 17).

#### **Impairment**

The Group determines whether goodwill is impaired on an annual basis. Other non-current assets are tested for impairment if there are indicators of impairment. Impairment testing requires an estimate of future cash flows and the choice of an appropriate discount rate (see note 15).

#### **Depreciation and residual values**

The Group reviews the asset lives and associated residual values of property, plant and equipment annually and have concluded that asset lives and residual values are appropriate (see note 17).

#### **Income and deferred tax**

Significant judgement is involved in determining the Company's provision for taxation. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognised liabilities for expected tax issues based on the estimate of whether additional taxes will be due. Where the tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that future taxable profit will be available, against which the losses can be utilised. The Group has recognised unused tax losses of £45,745,000. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised. This is based upon a number of factors including the expected timing of the reversal of the deductible temporary differences, the extent and expected timing of the reversal of any temporary differences, the impact of any future proposed reorganisation activities and the level of future taxable profits (see notes 13 and 23).

#### **Defined benefit pension plan**

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date (see note 37).

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 5. Revenue

An analysis of the Group's revenue is as follows:

|   | 2018<br>£'000  | 2017<br>£'000  |
|---|----------------|----------------|
| Hotel management and operations revenue | 392,224        | 365,741        |
| Property investment revenue             | 18,929         | 18,652         |
|   | <u>411,153</u> | <u>384,393</u> |

### 6. Geographical analysis of revenue, operating profit and net assets

|  | Revenue        |                | Operating Profit/(loss) |               | Net Assets       |                  |
|--|----------------|----------------|-------------------------|---------------|------------------|------------------|
|  | 2018<br>£'000  | 2017<br>£'000  | 2018<br>£'000           | 2017<br>£'000 | 2018<br>£'000    | 2017<br>£'000    |
| <b>Hotel Management and Operations</b> |                |                |                         |               |                  |                  |
| USA                                    | 113,673        | 112,796        | 20,943                  | 15,468        | 424,024          | 376,317          |
| Europe                                 | 163,986        | 143,343        | 4,272                   | (9,536)       | 189,711          | 151,094          |
| United Kingdom                         | 114,565        | 109,602        | 5,612                   | 9,221         | 431,116          | 450,872          |
|  | <u>392,224</u> | <u>365,741</u> | <u>30,827</u>           | <u>15,153</u> | <u>1,044,851</u> | <u>978,283</u>   |
| <b>Property investment:</b>            |                |                |                         |               |                  |                  |
| USA                                    | 18,929         | 18,652         | 7,592                   | 16,391        | 213,835          | 197,204          |
|  | <u>411,153</u> | <u>384,393</u> | <u>38,419</u>           | <u>31,544</u> | <u>1,258,686</u> | <u>1,175,487</u> |

All the above derive from continuing operations.

### 7. Unrealised (loss)/gains on properties

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| Unrealised (loss)/gain on revaluation of investment property | (2,049)       | 6,728         |
| Unrealised gain/(loss) on revaluation of hotel property      | 1,356         | (2,123)       |
| Unrealised (loss)/gain on properties                         | <u>(693)</u>  | <u>4,605</u>  |

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 8. Operating profit

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| <b>Operating profit is stated after charging/(crediting):</b>   |               |               |
| <b>Auditors' remuneration</b>   |               |               |
| Fees payable to the company's auditors for the audit of the company's annual financial statements                                       | 102           | 73            |
| Fees payable to the company's auditors and their associates for other services to the Group:<br>The audit of the company's subsidiaries | 359           | 418           |
| <b>Total audit fees:</b>  | <u>461</u>    | <u>491</u>    |
| Advisory services   | -             | 1,763         |
| <b>Total non-audit fees:</b>  | <u>-</u>      | <u>1,763</u>  |
| <b>Total auditors' remuneration:</b>  | <u>461</u>    | <u>2,254</u>  |
| Depreciation of property, plant and equipment   | 23,989        | 28,418        |
| Amortisation of intangible assets   | 1,677         | 1,245         |
| Rentals under operating leases:   |               |               |
| Payable: Land and buildings   | 9,634         | 9,355         |
| Payable: Plant and machinery  | 692           | 629           |
| Receivable regarding hotel properties: Land and buildings   | (1,236)       | (1,229)       |
| Contingent rentals receivable regarding hotel properties: Land and buildings  | (303)         | (296)         |
| Loss on disposal of fixed assets  | 35            | 23            |

### 9. Other gains/(losses)

A one off gain/loss of £nil (2017: £2,641,000) arose during the year.

### 10. Staff costs

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| <b>Directors' remuneration</b>                        |               |               |
| Directors' fees paid to ultimate parent               | 144           | 155           |
| <b>Remuneration of highest paid director</b>          |               |               |
| Fees paid to ultimate parent for services of Chairman | <u>50</u>     | <u>50</u>     |

No directors are paid salaries or have accrued any retirement benefits under either a defined benefit scheme or under a money purchase scheme (2017: None)

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 10. Staff costs (continued)

|   | 2018<br>No.  | 2017<br>No.  |
|---|--------------|--------------|
| <b>Average monthly number of persons employed excluding directors</b> |              |              |
| Operations  | 2,432        | 2,466        |
| Sales and marketing   | 143          | 128          |
| Administration  | 444          | 447          |
|   | <u>3,019</u> | <u>3,041</u> |

|  | 2018<br>£'000  | 2017<br>£'000  |
|--|----------------|----------------|
| <b>Staff costs during the year excluding directors</b> |                |                |
| Wages and salaries                                     | 118,908        | 113,160        |
| Social security costs                                  | 28,189         | 31,798         |
| Other pensions costs                                   | 6,679          | 6,281          |
|  | <u>153,776</u> | <u>151,239</u> |

### 11. Investment income

|                                | 2018<br>£'000 | 2017<br>£'000 |
|--------------------------------|---------------|---------------|
| <b>Interest receivable on:</b> |               |               |
| Bank deposits                  | 286           | 49            |
| Related party loans            | 70            | 7             |
|                                | <u>356</u>    | <u>56</u>     |

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 12. Finance costs

|                                 | 2018<br>£'000 | 2017<br>£'000 |
|---------------------------------|---------------|---------------|
| Interest on shareholder's loans | 5,656         | 5,872         |
|                                 | <u>5,656</u>  | <u>5,872</u>  |
| Foreign exchange loss on loans  | 4,387         | 3,384         |
| Pension deficit net charge      | 216           | 273           |
| Other                           | 18            | 69            |
|                                 | <u>10,277</u> | <u>9,598</u>  |

### 13. Tax on profit

|  | 2018<br>£'000  | 2017<br>£'000   |
|--|----------------|-----------------|
|  |                | <b>Restated</b> |
| Total current year tax (credit)/charge | 1,180          | 2,436           |
| Adjustments in respect of prior years  | 146            | (1,185)         |
| Foreign tax                            | 2,281          | 3,797           |
| Total current tax (credit)/charge      | <u>3,607</u>   | <u>5,048</u>    |
| Total deferred tax (credit)/charge     | (8,895)        | (33,439)        |
| Adjustments in respect of prior years  | 1,168          | 1,250           |
| Deferred tax charge (note 23)          | <u>(7,727)</u> | <u>(32,189)</u> |
| <b>Total tax credit</b>                | <u>(4,120)</u> | <u>(27,141)</u> |

UK corporation tax is calculated at 19% (2017:19.25%) of the estimated taxable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 13. Tax on profit/(loss) (continued)

The total tax expense for the year can be reconciled to the profit per the statement of comprehensive income as follows:

|  | 2018<br>£'000  | 2017<br>£'000   |
|--|----------------|-----------------|
|  |                | Restated        |
| <b>Profit before tax</b>   | 28,498         | 24,643          |
| Tax at the UK corporation tax rate of 19% (2017:19.25 %)                       | 5,415          | 4,744           |
| Tax effect of expenses that are not deductible in determining taxable profit   | 3,278          | 2,272           |
| Movement due to changes in foreign tax rates                                   | 392            | (30,904)        |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 1,932          | 790             |
| Other  | (2,355)        | (946)           |
| Adjustments in respect of prior years  | 1,314          | 65              |
| Change in unrecognised deferred tax assets                                     | (14,096)       | (3,162)         |
| <b>Total tax credit for the year</b>   | <u>(4,120)</u> | <u>(27,141)</u> |

Changes to the UK corporation tax rates substantively enacted as part of Finance Bill 2016 on 26 October 2016 reduce the rate to 17% from 1 April 2020. UK Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. The restatement of prior year deferred tax balances is described in note 42.

|   | 2018<br>£'000 | 2017<br>£'000   |
|---|---------------|-----------------|
| <b>Deferred tax</b>   |               |                 |
| Arising on income and expenses recognised in other comprehensive income |               |                 |
| Revaluation of properties   | 3,664         | (27,428)        |
| Defined benefit liability   | 248           | 6               |
| <b>Total income tax recognised in other comprehensive income</b>        | <u>3,912</u>  | <u>(27,422)</u> |

### 14. Exchange differences relating to components of other comprehensive income

This comprises amounts representing the movement in values of revaluation surpluses and deficits of properties held in foreign countries in their local currencies, when translated into sterling at the financial year end.

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 15. Goodwill

|                            | Cost<br>£'000 |
|----------------------------|---------------|
| As at 1 January 2017       | 47,334        |
| Foreign exchange movements | 1,742         |
| As at 31 December 2017     | 49,076        |
| Foreign exchange movements | 388           |
| As at 31 December 2018     | 49,464        |

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

|                                 | 2018<br>£'000 | 2017<br>£'000 | 2016<br>£'000 |
|---------------------------------|---------------|---------------|---------------|
| Hotel Plaza Athenee, France     | 12,125        | 11,995        | 11,603        |
| Hotel Principe di Savoia, Italy | 24,609        | 24,345        | 23,549        |
| Hotel Eden, Italy               | 12,730        | 12,736        | 12,182        |
|                                 | 49,464        | 49,076        | 47,334        |

At the year end, goodwill was reviewed for impairment in accordance with IAS 36 Impairment of Assets. A value in use was calculated on the basis of discounted future cash flows arising in each relevant CGU, which is then compared to the carrying value of the CGU to determine if impairment has occurred. Cash flow forecasts derived from business plans over a 5 year period, followed by 5 years assuming a long term growth rate of 2.34% (2017:3.1%) per annum were used. Discount rates of 6.3 % (2017:6.6%) for Hotel Plaza Athenee, for Hotel Principe di Savoia 6.7% (2017:6.7%) and for Hotel Eden 6.5 % (2017:6.5%) were used to arrive at the value in use for each of the CGUs. The discount rates applied are based on advice from external valuers. The Directors consider the assumptions to be reasonable based on the historic performance of each CGU and to be realistic in light of economic and industry forecasts. Having performed this review, the directors concluded that no impairment was required at the year end.

The calculation of value in use for each CGU is most sensitive to the principal assumptions of discount rate and growth rates. Sensitivity analysis has been performed on the calculations and confirms that no reasonably possible changes in the assumptions would exceed their recoverable amount for any of the CGUs except for the Hotel Principe di Savoia goodwill for which headroom is shown below.



# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 15. Goodwill (continued)

#### Cash generating unit

|   | Hotel Principe di Savoia, Italy           |  |  |
|---|---|--|--|
|   | Actual<br>impairment<br>analysis<br>£'000 | Decrease<br>growth<br>rate by<br>1%<br>£'000 | Increase<br>discount<br>rate by<br>1%<br>£'000 |
| As at 31 December 2018                    |   |  |  |
| Value in use                              | 160,967                                   | 156,221                                      | 148,252  |
| Less carrying value of land and buildings | (120,884)                                 | (120,884)                                    | (120,884)                                      |
| Less carrying value of goodwill           | (24,609)                                  | (24,609)                                     | (24,609)                                       |
| Headroom                                  | <u>15,474</u>                             | <u>10,728</u>                                | <u>2,759</u>                                   |

#### Cash generating unit

|   | Hotel Principe di Savoia, Italy           |  |   |
|---|---|--|---|
|   | Actual<br>impairment<br>analysis<br>£'000 | Decrease<br>growth<br>rate by<br>1%<br>£'000 | Increase<br>discount<br>rate by 1%<br>£'000 |
| As at 31 December 2017                    |   |  |   |
| Value in use                              | 160,792                                   | 156,079                                      | 148,183                                     |
| Less carrying value of land and buildings | (125,055)                                 | (125,055)                                    | (125,055)                                   |
| Less carrying value of goodwill           | (24,345)                                  | (24,345)                                     | (24,345)                                    |
| Headroom                                  | <u>11,392</u>                             | <u>6,679</u>                                 | <u>(1,217)</u>                              |

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 16. Other intangible assets

|                                 | Computer<br>software<br>£'000 | Hotel Eden<br>Trademark<br>£'000 | Total<br>£'000 |
|---------------------------------|-------------------------------|----------------------------------|----------------|
| <b>Cost</b>                     |                               |                                  |                |
| At 1 January 2017               | 8,318                         | 1,287                            | 9,605          |
| Additions                       | 3,655                         | -                                | 3,655          |
| Reclassification to PPE         | (252)                         | -                                | (252)          |
| Foreign exchange                | (11)                          | 44                               | 33             |
| At 31 December 2017             | 11,710                        | 1,331                            | 13,041         |
| At 1 January 2018               | 11,710                        | 1,331                            | 13,041         |
| Additions                       | 1,841                         | -                                | 1,841          |
| Foreign exchange                | 400                           | 36                               | 436            |
| At 31 December 2018             | 13,951                        | 1,367                            | 15,318         |
| <b>Accumulated amortisation</b> |                               |                                  |                |
| At 1 January 2017               | (6,043)                       | -                                | (6,043)        |
| Charge                          | (1,245)                       | -                                | (1,245)        |
| Reclassification to PPE         | 275                           | -                                | 275            |
| Foreign exchange                | 85                            | -                                | 85             |
| At 31 December 2017             | (6,928)                       | -                                | (6,928)        |
| At 1 January 2018               | (6,928)                       | -                                | (6,928)        |
| Charge                          | (1,677)                       | -                                | (1,677)        |
| Foreign exchange                | (69)                          | -                                | (69)           |
| At 31 December 2018             | (8,674)                       | -                                | (8,674)        |
| <b>Carrying amount</b>          |                               |                                  |                |
| At 31 December 2018             | 5,277                         | 1,367                            | 6,644          |
| At 31 December 2017             | 4,782                         | 1,331                            | 6,113          |

The amortisation charge and foreign exchange movement is included in administration expenses in the consolidated statement of comprehensive income.

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 17. Property, plant and equipment

|                                       | Land and<br>buildings<br>£'000 | Plant and<br>machinery<br>£'000 | Fixtures,<br>fittings and<br>equipment<br>£'000 | Assets<br>under<br>construction<br>£'000 | Total<br>£'000 |
|---------------------------------------|--------------------------------|---------------------------------|---|--|----------------|
| <b>Cost or valuation</b>              |                                |                                 |   |  |                |
| At 1 January 2017                     | 1,622,068                      | 129,701                         | 234,314   | 37,643                                   | 2,023,726      |
| Capital additions                     | 1,332                          | 3,014                           | 5,114   | 21,643                                   | 31,103         |
| Transfers                             | 34,630                         | 5,130                           | 13,672  | (53,432)                                 | -              |
| Disposals/write-offs                  | -                              | (1,205)                         | (2,586)   | (3)                                      | (3,794)        |
| Reclassification from intangibles     | -                              | 252                             | -   | -  | 252            |
| Revaluation                           | 22,798                         | -                               | -   | -  | 22,798         |
| Foreign exchange                      | (11,022)                       | 1,915                           | 1,429   | 163                                      | (7,515)        |
| At 31 December 2017                   | 1,669,806                      | 138,807                         | 251,943   | 6,014                                    | 2,066,570      |
| Capital additions                     | 4,282                          | 7,476                           | 3,485   | 9,029                                    | 24,272         |
| Transfers                             | 363                            | 1,550                           | 2,578   | (4,491)                                  | -              |
| Disposals/write-offs                  | -                              | (1,052)                         | (1,414)   | -  | (2,466)        |
| Revaluation                           | 15,648                         | -                               | -   | -  | 15,648         |
| Foreign exchange                      | 30,066                         | 1,789                           | 3,849   | 302                                      | 36,006         |
| At 31 December 2018                   | 1,720,165                      | 148,570                         | 260,441   | 10,854                                   | 2,140,030      |
| <b>Accumulated depreciation</b>       |                                |                                 |   |  |                |
| At 1 January 2017                     | (280)                          | (77,700)                        | (164,985)                                       | -  | (242,965)      |
| Charge                                | (1,000)                        | (8,211)                         | (19,207)  | -  | (28,418)       |
| Disposals/write-offs                  | -                              | 1,198                           | 2,529   | -  | 3,727          |
| Reclassification from intangibles     | -                              | (275)                           | -   | -  | (275)          |
| Revaluation                           | 949                            | -                               | -   | -  | 949            |
| Foreign exchange                      | (4)                            | (623)                           | (977)   | -  | (1,604)        |
| At 31 December 2017                   | (335)                          | (85,611)                        | (182,640)                                       | -  | (268,586)      |
| Charge                                | (936)                          | (8,943)                         | (14,110)  | -  | (23,989)       |
| Disposals/write-offs                  | -                              | 969                             | 1,443   | -  | 2,412          |
| Revaluation                           | 886                            | -                               | -   | -  | 886            |
| Foreign exchange                      | 1                              | (1,263)                         | (2,731)   | -  | (3,993)        |
| At 31 December 2018                   | (384)                          | (94,848)                        | (198,038)                                       | -  | (293,270)      |
| <b>Carrying amount Net book value</b> |                                |                                 |   |  |                |
| At 31 December 2018                   | 1,719,781                      | 53,722                          | 62,403  | 10,854                                   | 1,846,760      |
| At 31 December 2017                   | 1,669,471                      | 53,196                          | 69,303  | 6,014                                    | 1,797,984      |

No income was generated as part of the disposal of PPE (2017: nil). The disposals noted above relate to write-downs and have been taken to the statement of comprehensive income.

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 17. Property, plant and equipment (continued)

The net book value of land and buildings comprise:

|                 | 2018<br>£'000    | 2017<br>£'000    |
|-----------------|------------------|------------------|
| Freehold        | 1,716,561        | 1,668,389        |
| Long leasehold  | 220              | 118              |
| Short leasehold | -                | 964              |
|                 | <u>1,719,781</u> | <u>1,669,471</u> |

The Group's freehold land and buildings are stated at their revalued amounts, being the open market fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The open market fair value measurements of the Group's land and buildings were revalued at 31 December 2018 by HVS, independent valuers not connected with the Group who are qualified for the purpose of the valuation in accordance with the RICS Red Book.

The open market fair value of the freehold land and buildings was determined using the discounted cash flows approach which involves applying a yield and discount rate to the cash flows. There has been no change to the valuation technique during the year.

The Group's freehold land and buildings have been classified as Level 3 within the fair value hierarchy as at 31 December 2018.

| Assumption          | Change in assumption % | Impact on valuation |                   |
|---------------------|------------------------|---------------------|-------------------|
|                     |                        | Increase<br>£'000   | Decrease<br>£'000 |
| Discount rate       | Increase by +1%        |                     | 137,000           |
| Discount rate       | Decrease by -1%        | 150,000             |                   |
| Capitalisation rate | Increase by +1%        |                     | 141,000           |
| Capitalisation rate | Decrease by -1%        | 453,000             |                   |
| Cash flow           | Increase by +5%        | 88,000              |                   |
| Cash flow           | Decrease by -5%        |                     | 88,000            |

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 17. Property, plant and equipment (continued)

The sensitivities regarding the principal assumptions used to value land and buildings are set out below:

There are inter-relationships between all these unobservable inputs as they are determined by market conditions. The existence of an increase in more than one unobservable input would be to magnify the impact on the valuation. The impact on the valuation will be mitigated by the interrelationship of two unobservable inputs moving in opposite directions e.g. an increase in cash flows may be offset by an increase in yield, resulting in no net impact on the valuation.

At 31 December 2018, had the land and buildings other than investment property of the Group been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately £1 billion (2017: £987 million).

The revaluation surplus is disclosed in note 30. The revaluation surplus arises in subsidiaries and cannot be distributed to the parent due to legal restrictions in the countries of incorporation.

### 18. Investment property

|   | 2018<br>£'000  | 2017<br>£'000  |
|---|----------------|----------------|
| Fair value:                               |                |                |
| At 1 January                              | 190,632        | 200,001        |
| Additions                                 | 6,889          | 1,839          |
| Revaluation                               | (2,049)        | 6,728          |
| Foreign exchange translation differences  | 11,357         | (17,936)       |
| At 31 December                            | <u>206,829</u> | <u>190,632</u> |
| Lease incentives within debtors (note 21) | 4,166          | 4,039          |
| Fair value per valuation report           | <u>210,995</u> | <u>194,671</u> |

All of the Group's investment properties are overseas freehold properties. The comparable cost of the investment properties according to the historical cost convention at current exchange rates was £133,304,000 (2017: £119,203,000).

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 18. Investment property (continued)

The fair value of the Group's investment property at 31 December 2018 has been arrived at on the basis of an open market valuation carried out at that date by CBRE (USA) on one property and JLL on another property, both of whom are independent valuers not connected with the Group. The valuations conform to International Valuation Standards. The fair value was determined based on the income capitalisation approach which involves applying a yield to rental income streams. Inputs include yield, current rent and estimated rental values. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The investment properties have been classified as Level 3 within the fair value hierarchy as at 31 December 2018. There were no transfers into/out of level 3 in the year (2017: nil). All movements are taken to the statement of comprehensive income.

The sensitivities regarding the principal assumptions used to value the investment properties are set out below:

| Assumption          | Change in assumption % | Impact on valuation |                   |
|---------------------|------------------------|---------------------|-------------------|
|                     |                        | Increase<br>£'000   | Decrease<br>£'000 |
| Discount rate       | Increase by +1%        |                     | 16,000            |
| Discount rate       | Decrease by -1%        | 18,000              |                   |
| Capitalisation rate | Increase by +1%        |                     | 22,000            |
| Capitalisation rate | Decrease by -1%        | 33,000              |                   |
| Cash flow           | Increase by +5%        | 3,000               |                   |
| Cash flow           | Decrease by -5%        |                     | 3,000             |

There are inter-relationships between all these unobservable inputs as they are determined by market conditions. The existence of an increase in more than one unobservable input would be to magnify the impact on the valuation. The impact on the valuation will be mitigated by the interrelationship of two unobservable inputs moving in opposite directions e.g. an increase in rent may be offset by an increase in yield, resulting in no net impact on the valuation.

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to £18,929,000 (2017: £18,652,000). Direct operating expenses (including repairs and maintenance) arising on the investment property, all of which generated rental income in the year, amounted to £8,987,000 (2017: £8,989,000). The Group has committed to capital expenditure on its investment properties over the next year of £14,706 (2017: £5,046,000).

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 19. Subsidiaries

The company and the Group have investments in the following subsidiary undertakings:

| Subsidiary undertakings     | Principal activity  | Principal place of business | Registered office Address                                     | Shareholding and percentage voting rights |
|-----------------------------|---------------------|-----------------------------|---|---|
| Dorchester Hotel Limited    | Hotel operations    | United Kingdom              | 3 Tilney Street, London, W1K 1BQ                              | 100% (Direct)                             |
| The Dorchester Limited      | Dormant             | United Kingdom              | 53 Park Lane, London, W1A 2HJ                                 | 100% (Indirect)                           |
| Dorchester Services Limited | Hotel management    | United Kingdom              | 3 Tilney Street, London, W1K 1BQ                              | 100% (Direct)                             |
| Coworth Park Limited        | Hotel management    | United Kingdom              | 3 Tilney Street, London, W1K 1BQ                              | 100% (Direct)                             |
| Meurice Limited             | Hotel investment    | United Kingdom              | 3 Tilney Street, London, W1K 1BQ                              | 100% (Direct)                             |
| Principe di Savoia Limited  | Hotel investment    | United Kingdom              | 3 Tilney Street, London, W1K 1BQ                              | 100% (Direct)                             |
| Hotel Plaza Athenee Limited | Hotel investment    | United Kingdom              | 3 Tilney Street, London, W1K 1BQ                              | 100% (Direct)                             |
| Kava Holdings LLC           | Hotel operations    | USA                         | 701, Stone Canyon Road, Los Angeles, California 90077         | 100% (Indirect)                           |
| Sajahtera Inc               | Hotel operations    | USA                         | 9641, Sunset Boulevard, Beverly Hills, California 90210       | 100% (Direct)                             |
| Aman Inc                    | Investment property | USA                         | 874 Walker Road, Suite C, Dover (Kent County), Delaware 19904 | 100% (Indirect)                           |
| Raqib Inc                   | Investment property | USA                         | 874 Walker Road, Suite C, Dover (Kent County), Delaware 19904 | 100% (Indirect)                           |
| Meurice SpA                 | Hotel operations    | Italy                       | Via XX Settembre 3, Turin                                     | 100% (Indirect)                           |
| Principe di Savoia srl      | Hotel operations    | Italy                       | Piazza della Repubblica 17, Milan                             | 100% (Indirect)                           |
| Hotel Eden srl              | Hotel operations    | Italy                       | Via Ludovico 47, Rome   | 100% (Direct)                             |
| Hotel Plaza Athenee SA      | Hotel operations    | France                      | 23 to 27, avenue Montaigne, 75008 Paris                       | 100% (Indirect)                           |
| Plaza Athenee Holdings SA   | Hotel investment    | France                      | 23 to 27, avenue Montaigne, 75008 Paris                       | 100% (Indirect)                           |
| Cantabile Limited           | Dormant             | Jersey                      | Fifth floor, 37 Esplanade, St Helier, Jersey JE1 2TR          | 100% (Direct)                             |
| Denath Limited              | Dormant             | Jersey                      | Fifth floor, 37 Esplanade, St Helier, Jersey JE1 2TR          | 100% (Direct)                             |
| Flautando Limited           | Dormant             | Jersey                      | Fifth floor, 37 Esplanade, St Helier, Jersey JE1 2TR          | 100% (Direct)                             |
| Mintier Limited             | Dormant             | Jersey                      | Fifth floor, 37 Esplanade, St Helier, Jersey JE1 2TR          | 100% (Direct)                             |
| Monody Limited              | Dormant             | Jersey                      | Fifth floor, 37 Esplanade, St Helier, Jersey JE1 2TR          | 100% (Direct)                             |
| Seri Corporation Limited    | Dormant             | Jersey                      | Fifth floor, 37 Esplanade, St Helier, Jersey JE1 2TR          | 100% (Direct)                             |
| Solanum Holdings Limited    | Dormant             | Jersey                      | Fifth floor, 37 Esplanade, St Helier, Jersey JE1 2TR          | 100% (Direct)                             |
| Dorchester Services Inc     | Dormant             | USA                         | 874 Walker Road, Suite C, Dover (Kent County), Delaware 19904 | 100% (Direct)                             |

### 20. Inventories

|                  | 2018<br>£'000 | 2017<br>£'000 |
|------------------|---------------|---------------|
| Consumables      | 2,898         | 2,422         |
| Goods for resale | 6,746         | 6,443         |
|                  | <u>9,644</u>  | <u>8,865</u>  |

There is no material difference between the replacement cost of stocks and their balance sheet amounts.

The cost of inventories recognised as an expense during the year in respect of continuing operations was £32m (2017: £32m).

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 21. Trade and other receivables

#### Due within one year

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| Trade debtors                                  | 24,131        | 18,600        |
| Provision for bad debts                        | (1,102)       | (822)         |
| Net trade debtors                              | 23,029        | 17,778        |
| Other debtors                                  | 4,887         | 6,586         |
| Amounts owed by fellow subsidiary undertakings | -             | 49            |
| Overseas corporation tax receivable            | 6,234         | 6,137         |
| UK corporation tax receivable                  | -             | 1,245         |
| Prepayments and accrued income                 | 11,629        | 13,621        |
|  | <u>45,779</u> | <u>45,416</u> |

#### Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

|                               | 2018<br>£'000 | 2017<br>£'000 |
|-------------------------------|---------------|---------------|
| Neither past due nor impaired | 13,013        | 11,495        |
| Less than 1 month past due    | 5,795         | 3,587         |
| 1 to 3 months past due        | 2,308         | 1,317         |
| More than 3 months past due   | 1,913         | 1,379         |
| Total                         | <u>23,029</u> | <u>17,778</u> |

The bad debt provision is estimated using the simplified approach to expected credit loss technique and is based on past default experience and the Directors assessment of the current economic environment for each of the Group's subsidiaries. The methodologies for calculating the bad debt provision have been updated to comply with the new requirements of IFRS9. The impact was not material to this accounting estimate.

#### Due after more than one year

No prepayments or accrued income due after one year (2017:nil)



# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

| 22. Financial liabilities                      | 2018<br>£'000  | 2017<br>£'000   |
|--|----------------|-----------------|
| <b>Included within current liabilities</b>     |                |                 |
| Loans from ultimate parent undertakings        | 281,281        | 290,753         |
| Loans from fellow subsidiary undertakings      | 227            | -               |
|  | <u>281,508</u> | <u>290,753</u>  |
| <b>Included within non-current liabilities</b> |                | <b>Restated</b> |
| Loans from fellow subsidiary undertakings:     |                |                 |
| Unsecured, subordinated and interest free      | 203,932        | 202,119         |
| Unsecured, subordinated and interest bearing   | 155,253        | 153,957         |
|  | <u>359,185</u> | <u>356,076</u>  |
| <b>Total Borrowings</b>                        | <u>640,693</u> | <u>646,829</u>  |

The interest bearing loans from fellow subsidiary undertakings of the Brunei Investment Agency ("BIA") bear interest at both fixed and floating rates. The weighted average year end interest rate for these loans was 2.88% (2017:1.47%).

|                                | 2018<br>£'000  | 2017<br>£'000<br>Restated |
|--------------------------------|----------------|---------------------------|
| <b>Loans maturing between:</b> |                |                           |
| Within 1 year                  | 281,508        | 290,753                   |
| 1 to 2 years amount to         | 359,185        | 356,076                   |
| 2 to 5 years amount to         | -              | -                         |
|                                | <u>640,693</u> | <u>646,829</u>            |

Interest free loans maturing between 1-2 years have been discounted at a market rate of interest of 2.0%.  
The restatement of prior year non-current loans is described in note 42.

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 23. Deferred Tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements during the current and prior reporting year, as restated (see note 42).

|   | Land and<br>buildings<br>£'000 | Pension<br>£'000    | Tax losses<br>£'000  | Other<br>temporary<br>differences<br>£'000 | Total<br>£'000          |
|---|--------------------------------|---------------------|----------------------|--|-------------------------|
| <b>Asset/(liability) at 1 January<br/>2017- as restated</b> | (364,445)                      | 1,777               | 34,424               | (1,128)                                    | (329,372)               |
| Credit/(charge) to profit or loss                           | 37,435                         | (177)               | (3,724)              | (1,345)                                    | 32,189                  |
| Credit to other comprehensive<br>Income                     | 27,428                         | (6)                 | -                    | -  | 27,422                  |
| Exchange differences  | 5,521                          | (1)                 | 696                  | 223  | 6,439                   |
| <b>At 31 December 2017- as<br/>restated</b>                 | <u>(294,061)</u>               | <u>1,593</u>        | <u>31,396</u>        | <u>(2,250)</u>                             | <u>(263,322)</u>        |
| (Charge)/credit to profit or loss                           | (6,428)                        | 156                 | 13,320               | 679  | 7,727                   |
| Charge to other<br>comprehensive income                     | (3,664)                        | (248)               | -                    | -  | (3,912)                 |
| Exchange differences  | (6,572)                        | -                   | 1,029                | 93   | (5,450)                 |
| <b>At 31 December 2018</b>                                  | <u><u>(310,725)</u></u>        | <u><u>1,501</u></u> | <u><u>45,745</u></u> | <u><u>(1,478)</u></u>                      | <u><u>(264,957)</u></u> |

No deferred tax asset has been recognised in respect of tax losses of £47,984,422 (2017: £126,922,000) as it is not considered probable that there will be future taxable profits available against which to offset them. These losses principally relate to Italy and the US in which there are trapped losses of GBP £47,795,575 (2017 £126,733,000) which cannot currently be utilised by the Group.

No deferred tax liability is recognised on temporary differences of £425m (2017: £361m) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 24. Trade and other payables

|  | 2018<br>£'000 | 2017<br>£'000<br>Restated |
|--|---------------|---------------------------|
| <b>Due within one year</b>                   |               |                           |
| Amounts owed to ultimate parent undertakings | 9,875         | 9,325                     |
| Trade creditors                              | 21,943        | 21,120                    |
| Other creditors                              | 2,623         | 2,210                     |
| Accruals, deferred income and guest deposits | 46,810        | 36,427                    |
| Capital accruals                             | 4,950         | 4,557                     |
| VAT and other sales taxes                    | 1,505         | 2,639                     |
| PAYE and other payroll taxes                 | 5,171         | 4,827                     |
|  | <u>92,877</u> | <u>81,105</u>             |

Trade creditors are paid in line with the terms that are agreed with suppliers, which range from 30 to 90 days.

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| <b>Due after more than one year</b>          |               |               |
| Operating lease rental straight-line accrual | 2,965         | 3,146         |
| Deferred Income                              | 310           | 710           |
|  | <u>3,275</u>  | <u>3,856</u>  |

The operating lease rental straight line accrual relates to adjustments to equalise three (2017: three) property operating leases where the rentals payable for the initial years are stepped and include rent free periods, whereas rent expense to profit or loss is recognised on a straight-line basis over the life of the leases.

Deferred income relates to a technical services contract for which cash payment has been received. The services will be completed by October 2020 and income is spread on a straight line basis.

### 25. Current tax liabilities

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| Amounts due for UK corporation tax       | 374           | -             |
| Amounts due for Overseas corporation tax | 1,555         | -             |
|  | <u>1,929</u>  | <u>-</u>      |

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 26. Provisions

|  | £'000   |
|--|---------|
| Balance at 1 January 2017                | 3,008   |
| Utilisation                              | (1,983) |
| Charged to consolidated income statement | 1,315   |
| Foreign exchange loss                    | (89)    |
| Balance at 31 December 2017              | 2,251   |
| Utilisation                              | (1,205) |
| Charged to consolidated income statement | 320     |
| Foreign exchange gain                    | 38      |
| Balance at 31 December 2018              | 1,404   |

These provisions relate to potential payments in respect of a number of outstanding claims in the European and US hotels and are analysed below. It is expected that the provisions will be settled between one to two years at the amounts provided.

#### Analysis of provisions at 31 December 2018

|   | £'000 |
|---|-------|
| Legal fees regarding employment matters | 1,347 |
| Other                                   | 57    |
| Balance at 31 December 2018             | 1,404 |

### 27. Share capital

| Called up share capital:                   | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| <b>Authorised:</b>                         |               |               |
| 200,000,000 Ordinary shares of £1 each     | 200,000       | 200,000       |
|  | =====         | =====         |
|  | 2018<br>£'000 | 2017<br>£'000 |
| <b>Allotted, called up and fully paid:</b> |               |               |
| 120,009,000 Ordinary shares of £1 each     | 120,009       | 120,009       |
|  | =====         | =====         |

### 28. Share premium

Movements in share premium are included in the consolidated statement of changes in equity on page 15.

### 29. Capital Reserve

Movements on capital reserve are shown in the consolidated statement of changes in equity on page 15. The reserves represent the capital contributions arising from the fair value adjustments to the interest free loans made to the Group.

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 30. Revaluation reserve

#### Land and buildings £'000

|  |                       |
|--|-----------------------|
| Balance at 1 January 2017  | 553,346               |
| Revaluation increase on land and buildings                       | 25,671                |
| Deferred tax credit arising on revaluation of land and buildings | 27,422                |
| Foreign exchange   | 5,118                 |
| Balance at 31 December 2017                                      | <u>611,557</u>        |
| Revaluation increase on land and buildings                       | 15,178                |
| Deferred tax credit arising on revaluation of land and buildings | (3,664)               |
| Foreign exchange   | -                     |
| Balance at 31 December 2018                                      | <u><u>623,071</u></u> |

### 31. Merger reserve

Merger reserve comprises amounts recorded under merger accounting upon the acquisition of Sajahtera Inc and Kava Holdings LLC. Movements in merger reserve are included in the consolidated statement of changes in equity on page 15.

### 32. Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. Movements on translation reserve are shown in the consolidated statement of changes in equity on page 15.

### 33. Retained earnings

Retained earnings comprise the cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

### 34. Dividends paid

No dividends were paid in 2018 (2017: nil).

### 35. Notes to the cash flow statement

#### Cash and cash equivalents

|                        | 2018<br>£'000         | 2017<br>£'000        |
|------------------------|-----------------------|----------------------|
| Cash and bank balances | <u>110,799</u>        | <u>87,458</u>        |
|                        | <u><u>110,799</u></u> | <u><u>87,458</u></u> |

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 36. Operating lease arrangements

#### The Group as a lessee

At the balance sheet date, the future minimum lease payments payable under the remainder of the life of non-cancellable operating leases is set out below:

|                                | 2018                           |                | 2017                           |                |
|--------------------------------|--------------------------------|----------------|--------------------------------|----------------|
|                                | Land and<br>buildings<br>£'000 | Other<br>£'000 | Land and<br>buildings<br>£'000 | Other<br>£'000 |
| Operating leases which expire: |                                |                |                                |                |
| Within one year                | 9,722                          | 501            | 9,138                          | 448            |
|                                | 33,690                         | 514            | 31,110                         | 524            |
| Between one and five years     |                                |                |                                |                |
| After five years               | 141,399                        | 6              | 144,582                        | -              |
|                                | <u>184,811</u>                 | <u>1,021</u>   | <u>184,830</u>                 | <u>972</u>     |

Operating lease payments relating to land and buildings represent rentals payable by the Group for hotel properties. The majority of leases are negotiated for an average term of 25 years and rentals are fixed for an average of 5 years and are then set at the prevailing market rate.

#### The Group as a lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments on operating leases for land and buildings:

#### Hotel properties

| Operating leases which expire: | 2018<br>£'000 | 2017<br>£'000 |
|--------------------------------|---------------|---------------|
| Within one year                | 1,031         | 1,326         |
| Between one and five years     | 1,295         | 1,741         |
| After five years               | 131           | -             |
|                                | <u>2,457</u>  | <u>3,067</u>  |

#### Investment properties

| Operating leases which expire: | 2018<br>£'000 | 2017<br>£'000 |
|--------------------------------|---------------|---------------|
| Within one year                | 184           | 1,260         |
| Between one and five years     | 26,257        | 24,598        |
| After five years               | 51,160        | 29,944        |
|                                | <u>77,601</u> | <u>55,802</u> |

The Group's properties held for rental purposes are expected to generate average rental yields of 5.63% (2017:5.38%) on an ongoing basis. All of the properties held have committed tenants with leases expiring within one to ten years' time. The lessee does not have an option to purchase the property at the expiry of the lease period.

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 37. Retirement benefit schemes

The Group operates two pension schemes in the UK. One is a defined benefit scheme, which is closed to new entrants, and the other is a defined contribution scheme.

#### Defined contribution scheme

The company operates a defined contribution scheme for which the Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The pension cost charged for and paid for the year amounted to £1,005,000 (2017: £1,014,000).

#### Defined benefit scheme

The pension liabilities are as follows:

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| UK Pension scheme (see below)                      | 8,480         | 9,065         |
| French state pension scheme termination indemnity  | 1,715         | 1,705         |
| Italian state pension scheme termination indemnity | 1,903         | 1,924         |
|  | <u>12,098</u> | <u>12,694</u> |

Pension arrangements in France and Italy are through the state scheme but the employers have deferred retirement liabilities in the form of termination indemnities.

#### Pension scheme in the UK

The company operates a funded pension scheme in the UK providing benefits based on final pensionable pay. The policy for accounting for pensions is included in note 3. The assets of the scheme are held separately from those of the company, being invested in investment management funds. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

The pension scheme typically exposes the Group to actuarial risks such as: investment risk, interest rate risk, mortality risk and inflation risk. The risk relating to benefits to be paid to the dependents of scheme members is re-insured by an external insurance company.

|                           |   |
|---------------------------|---|
| <b>Investment risk</b>    | The Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide the real returns over the long-term the short-term volatility can cause additional funding to be required if deficit emerges. |
| <b>Interest rate risk</b> | The Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds assets such as equities the value of the assets and liabilities may not move in the same way.  |
| <b>Mortality risk</b>     | In the event that members live longer than assumed a deficit will emerge in the Scheme.   |
| <b>Inflation risk</b>     | A significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the long-term, movements over the short term could lead to deficits emerging.                       |

Qualified actuaries carry out full valuations on a triennial basis, the last one being to 6 April 2014, using the projected unit method. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 4.95% per annum, that salary increases would average 4.75% per annum and that a proportion of members would withdraw from service each year other than by retirement.

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 37. Retirement benefit schemes (continued)

The pension charge under this scheme for the year includes current service costs of £131,000 (2017: £142,000), and the total included in finance costs was £216,000 (2017: £273,000). The most recent actuarial valuation showed that the market value of the schemes assets was £27,400,000 giving a funding level of 76.4% (2017:76%).

#### *Actuarial assumptions*

The principal assumptions used to determine the actuarial present value of benefit obligations and pension costs are detailed below:

|   | 2018<br>% | 2017<br>% |
|---|-----------|-----------|
| Discount rate for plan liabilities      | 2.80      | 2.50      |
| Rate of inflation (RPI)                 | 3.60      | 3.50      |
| Rate of inflation (CPI)                 | 2.60      | 2.50      |
| Rate of increase in salaries            | 5.10      | 5.00      |
| Rate of increase of pensions in payment | 2.70      | 2.60      |

The weighted average life expectancy for mortality tables used to determine benefit obligations are detailed below:

|   | 2018 |        | 2017 |        |
|---|------|--------|------|--------|
|   | Male | Female | Male | Female |
| Member age 65 (current life expectancy)   | 22.0 | 23.9   | 22.1 | 24.0   |
| Member age 45 (life expectancy at age 65) | 23.4 | 25.4   | 23.5 | 25.5   |

*The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:*

| Assumption            | Change in assumption % | Impact on Scheme liabilities |            |
|-----------------------|------------------------|------------------------------|------------|
|                       |                        | Increase %                   | Decrease % |
| Discount rate         | Increase by 0.5 %      |                              | 7.5        |
| Discount rate         | Decrease by 0.5%       | 8.5                          |            |
| Rate of inflation     | Increase by 0.5%       | 3.0                          |            |
| Rate of inflation     | Decrease by 0.5%       |                              | 3.0        |
| Rate of salary growth | Increase by 0.5%       | 0.6                          |            |
| Rate of salary growth | Decrease by 0.5%       |                              | 0.6        |
| Rate of mortality     | Increase by 1 year     | 3.1                          |            |
| Rate of mortality     | Decrease by 1 year     |                              | 3.0        |

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit liability recognised in the statement of financial position. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.



# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 37. Retirement benefit schemes (continued)

#### Balance sheet disclosure

|   | 2018                | 2017                |
|---|---------------------|---------------------|
|   | Fair value<br>£'000 | Fair value<br>£'000 |
| Equity  | 12,488              | 12,811              |
| Government Bonds                              | 4,158               | 4,199               |
| Corporate Bonds                               | 3,670               | 3,864               |
| Diversified growth fund                       | 2,856               | 3,046               |
| Absolute return bond fund                     | 4,029               | 4,095               |
| Net current assets                            | 199                 | 311                 |
| Total market value of assets                  | 27,400              | 28,326              |
| Present value of scheme liabilities           | (35,880)            | (37,391)            |
| Deficit in the pension plan/pension liability | (8,480)             | (9,065)             |

No property occupied by, or other assets used by the Group are held by the scheme. No amounts are included in the scheme's assets in respect of shares of the company. Virtually all equity and debt instruments have quoted prices in active markets.

#### Amounts recognised in income are as follows:

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| <b>Analysis of the amount charged to administration expenses</b> |               |               |
| Current service cost   | (131)         | (142)         |
| Administration costs   | (147)         | (151)         |
| Total charge to administration expenses                          | (278)         | (293)         |
| <b>Analysis of the amount charged to finance costs</b>           |               |               |
| Expected return on plan assets                                   | 706           | 735           |
| Interest cost on plan liabilities                                | (922)         | (1,008)       |
| Past service cost  | (222)         | -             |
| Net charge to finance costs                                      | (438)         | (273)         |
| Total charge to income for the year                              | (716)         | (566)         |

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 37. Retirement benefit schemes (continued)

Amounts included in other comprehensive income in respect of the defined benefits plan are as follows:

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| (Loss)/gain on scheme assets in excess of interest             | (1,419)       | 1,642         |
| Experience gain on liabilities                                 | -             | 1,558         |
| Gain/(loss) from changes to demographic assumptions            | 259           | (90)          |
| Gain/(loss) from changes to financial assumptions              | 1,511         | (2,368)       |
| Total actuarial gains recognised in other comprehensive income | 351           | 742           |

The loss on scheme assets in excess of interest of £1,419,000 (2017: £1,642,000 gain) is 5.18 % (2017: 5.8%) of the plan assets as at 31 December 2018. The total actuarial loss of £1,771,000 represents 4.9% of the present value of scheme liabilities as at 31 December 2018.

The cumulative amount of actuarial gains and losses recognised in other comprehensive income since the date of transition to IFRS is £6,466,000 net loss (2017: £6,115,000 net loss).

### *Analysis of movement in the present value of defined benefit obligations*

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| As at 1 January                        | (37,391)      | (36,665)      |
| Current service cost                   | (131)         | (142)         |
| Member contributions                   | (30)          | (29)          |
| Interest on pension scheme liabilities | (922)         | (1,008)       |
| Past service costs                     | (222)         | -             |
| Benefits paid                          | 1,045         | 1,353         |
| Re-measurement (losses)/gains:         | -             | 1,558         |
| Actuarial (losses)/gains arising       | 1,771         | (2,458)       |
| As at 31 December                      | (35,880)      | (37,391)      |

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 37. Retirement benefit schemes (continued)

#### *Analysis of return on plan assets*

|                                     | 2018<br>£'000 | 2017<br>£'000 |
|-------------------------------------|---------------|---------------|
| As at 1 January                     | 28,326        | 26,513        |
| Interest on assets                  | 706           | 735           |
| Return on plan assets less interest | (1,419)       | 1,642         |
| Employer contributions              | 949           | 911           |
| Member contributions                | 30            | 29            |
| Benefits paid                       | (1,045)       | (1,353)       |
| Administration expenses             | (147)         | (151)         |
| As at 31 December                   | <u>27,400</u> | <u>28,326</u> |

The Group should fund the cost of the entitlements expected to be earned on a yearly basis. Employees pay a fixed percent of pensionable salary and the residual contribution is paid by the entities of the Group. The funding requirements are based on a local actuarial measurement framework. In this framework the discount rate is based on the assets held by the scheme, and using cautious estimates of the expected returns from each asset class. The cost of benefits is calculated using several assumptions, and by projecting salaries up to retirement date. An additional liability may stem from actual experience being different to these assumptions, in which case the Group is responsible for putting in place a recovery plan in order to address any additional liabilities. Any additional liabilities are a debt to the Group.

The average duration of the benefit obligation at the end of the reporting period is 17 years (2017: 17 years). This number can be subdivided into the duration related to:

- active members: 21 years (2017: 22 years)
- deferred members: 21 years (2017: 22 years)
- retired members: 13 years (2017: 13 years)

The estimated amount of contributions expected to be paid to the scheme during the 2019 financial year is £1 million. (2018: £912,000).

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 38. Financial instruments

#### Categories of financial instruments

|   | 2018<br>£'000  | 2017<br>£'000  |
|---|----------------|----------------|
| <b>Financial assets</b>                                 |                |                |
| Loans and receivables                                   |                |                |
| Loans   | -              | 49             |
| Trade and other receivables                             | 39,544         | 33,171         |
| Cash and bank balances                                  | 110,799        | 87,458         |
|   | <u>150,343</u> | <u>120,678</u> |
| <b>Financial liabilities measured at amortised cost</b> |                |                |
| Loans   | 640,693        | 646,829        |
| Trade and other payables                                | 91,972         | 80,134         |
|   | <u>732,665</u> | <u>738,533</u> |

#### Fair value of financial assets and liabilities

All financial assets and liabilities are accounted for in line with the principles outlined in the accounting policies and the Directors consider the carrying value to approximate their fair value.

#### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2017. The Group aims to achieve a debt/equity ratio of 60/40.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 22 after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 27 to 33.

The Group is not subject to any externally imposed capital requirements.

#### Financial risk management objectives

The Group's treasury policy is to manage financial risks that arise in relation to underlying business needs. This is achieved by managing liquidity, reducing financial risk, mitigation of foreign currency and interest rate risks.

#### Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses local currency bank accounts and loans for each hotel within the Group to manage its exposure to interest rate and foreign currency risks.

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 38. Financial instruments (continued)

#### Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. The risk has been managed by the Group by the use of interest rate swap contracts when deemed appropriate.

The Group seeks to minimise the effects of this risk by using derivative financial instruments where relevant. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, and the use of financial derivatives and non-derivative financial instruments. Compliance with policies and exposure limits is reviewed on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Group did not hedge its interest rate risk in 2017 or 2018.

#### Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

If interest rates had been 0.5 per cent higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2018 would decrease/increase by £330,000 (2017: decrease/increase by £278,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

#### Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters at the ultimate parent level.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

|           | Liabilities   |               | Assets        |               |
|-----------|---------------|---------------|---------------|---------------|
|           | 2018<br>£'000 | 2017<br>£'000 | 2018<br>£'000 | 2017<br>£'000 |
| US Dollar | 58,109        | 46,279        | 95,570        | 77,568        |
| Euro      | 582,262       | 580,084       | 28,043        | 24,913        |

#### Foreign currency sensitivity analysis

The main foreign currencies to which Group is exposed to are the US Dollar and the Euro.

With respect to the Group's foreign currency translation exposure, and assuming all other variables, including interest rates, remain constant, it is estimated that a 5% strengthening of sterling against both the US dollar and the Euro would have decreased net assets by £30,552,000 at 31 December 2018 (2017: £17,132,000) and decreased profit before tax by £3,704,000 (2017: decreased by £4,857,000). A 5% weakening of sterling would exactly reverse the position whereby net assets would increase and profit would decrease by the same amounts.

#### Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties. Counterparties for cash and cash equivalents are with large established financial institutions. Trade and other receivables credit risk is mitigated by each hotel within the Group having a credit control function to approve counterparties and monitor transactions and exposure. Loans to fellow subsidiary undertakings are backed by a letter of support from the ultimate parent, the Brunei Investment Agency.

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 38. Financial instruments (continued)

#### Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements

Liquidity is managed on a daily basis by the finance functions of the Group. They are responsible for ensuring that the Company has adequate liquidity for all operations, ensuring that the funding mix is appropriate so as to avoid maturity mismatches. The Group manages liquidity risk on behalf of the Company by holding sufficient liquid assets of appropriate quality to ensure that short term funding requirements are covered within prudent limits.

#### Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

|                              | Carrying<br>amount<br>£'000 | Within<br>1 year<br>£'000 | 1 to 2<br>years<br>£'000 | 3 to 5<br>years<br>£'000 | 5+<br>years<br>£'000 | Total<br>£'000 |
|------------------------------|-----------------------------|---------------------------|--------------------------|--------------------------|----------------------|----------------|
| <b>31 December 2018</b>      |                             |                           |                          |                          |                      |                |
| Non-interest bearing loans   | 469,959                     | 266,027                   | 203,932                  | -                        | -                    | 469,959        |
| Variable interest rate loans | 88,689                      | 1,334                     | 90,078                   | -                        | -                    | 91,412         |
| Fixed interest rate loans    | 93,502                      | 19,120                    | 79,967                   | -                        | -                    | 99,087         |
| Trade and other payables     | 96,151                      | 93,048                    | 481                      | 513                      | 2,109                | 96,151         |
| Current tax liabilities      | 1,929                       | 1,929                     | -                        | -                        | -                    | 1,929          |
|                              | <u>750,230</u>              | <u>381,458</u>            | <u>374,458</u>           | <u>513</u>               | <u>2,109</u>         | <u>758,538</u> |
| <b>31 December 2017</b>      |                             |                           |                          |                          |                      |                |
| Non-interest bearing loans   | 464,472                     | 262,354                   | 202,118                  | -                        | -                    | 464,472        |
| Variable interest rate loans | 88,269                      | -                         | 89,501                   | -                        | -                    | 89,501         |
| Fixed interest rate loans    | 105,666                     | 32,519                    | 78,956                   | -                        | -                    | 111,475        |
| Trade and other payables     | 84,081                      | 80,075                    | 582                      | 856                      | 2,568                | 84,081         |
|                              | <u>742,488</u>              | <u>374,948</u>            | <u>371,157</u>           | <u>856</u>               | <u>2,568</u>         | <u>749,529</u> |

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 38. Financial instruments (continued)

#### Financial assets

The following table details the Group's financial assets. All amounts are due to be received within one year. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets.

|   | Carrying<br>amount<br>£'000 | Within<br>1 year<br>£'000 | Total<br>£'000 |
|---|-----------------------------|---------------------------|----------------|
| <b>31 December 2018</b>   |                             |                           |                |
| Trade and other receivables, excluding prepayments                | 35,510                      | 35,510                    | 35,510         |
| Cash and cash equivalents   | 110,799                     | 110,799                   | 110,799        |
|   | <u>146,309</u>              | <u>146,309</u>            | <u>146,309</u> |
| <b>31 December 2017</b>   |                             |                           |                |
| Trade and other receivables, excluding prepayments                | 31,746                      | 31,746                    | 31,746         |
| Amounts owed by fellow subsidiary undertakings – interest bearing | 49                          | 49                        | 49             |
| Cash and cash equivalents   | 87,458                      | 87,458                    | 87,458         |
|   | <u>119,253</u>              | <u>119,253</u>            | <u>119,253</u> |

### 39. Related party transactions

The Group's ultimate parent company, Brunei Investment Agency has agreed to provide financial support to it and its subsidiaries to the extent necessary for them to be able to continue to trade and pay their liabilities as they fall due for at least the next twelve months from the date of the approval of the director's report on page 7.

The company is a subsidiary undertaking of Ammar Holding Cooperatief a Dutch COOP, the immediate controlling party. The consolidated financial statements of Ammar Holding Cooperatief are available to the public and may be obtained from the Chamber of Commerce, De Ruyterkade 5, 1013 AA Amsterdam, Holland. The ultimate parent and controlling party is the Brunei Investment Agency, a statutory body incorporated in Brunei. Consequently, as a statutory body, related parties to the company include all Brunei government ministries, departments, agencies and their subsidiary undertakings and also include Bruneian citizens holding office within Brunei and its government.

The Group provided hotel services to these related parties amounting to £1,396,000 (2017: £1,694,000). Amounts owed for these services as at 31 December 2018 amounted to £3,616,000 (2017: £1,707,000). The Group occupies space owned by fellow related parties in two (2017: two) buildings in London, one on an annually renewable agreement the other on a fixed term and also four (2017: four) buildings in Paris, all on fixed term leases. The total rent charged for the year was £5,086,000 (2017: £10,811,000). It is estimated that the market rent for the year of the space occupied is £5,086,000 (2017: £10,811,000). Amounts owed for the rental, associated rates and services as at 31 December 2018 amounted to £nil (2017: £2,862,000). Loans from fellow Group companies are covered in note 22.

During the year the company incurred branding and trademark licence fees of £2,904,000 (2017: £2,827,000) from a fellow related parties. Amounts owed for these fees at 31 December 2018 amounted to £2,904,000 (2017: £2,827,000). The company considers that key management are the board of directors, who provide the direction and strategy of the Group. Directors' emoluments are set out in note 10.

# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 40. Capital commitments

Capital commitments at the end of the financial year for which no provision has been made are as follows:

|                           | 2018<br>£000  | 2017<br>£000  |
|---------------------------|---------------|---------------|
| Contracted                | 14,807        | 5,067         |
| Authorised not contracted | <u>33,295</u> | <u>27,382</u> |

### 41. Post balance sheet Events

There are no post balance sheet events.

### 42. Prior Year adjustments

The group has made corrections to prior periods in respect of the following matters:

- Calculation of deferred tax balances to reflect changes in the substantively enacted tax rates at the previous year end.
- Calculation of deferred tax balance liabilities to reflect the availability of tax losses not previously taken into account.
- In the case of loans not at a market rate of interest, adjustments to reflect the requirement to recognise the financial asset or liability initially at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

As a result the following line items have been changed in the comparative consolidated statement of comprehensive income and the consolidated statement of financial position.

|   | 2017<br>As originally<br>stated<br>£'000 | Restated<br>£'000 |
|---|--|-------------------|
| <b>Consolidated statement of comprehensive income</b>         |  |                   |
| Tax on profit for the year                                    | 25,986                                   | 27,141            |
| Profit for the year   | 50,629                                   | 51,784            |
| Income tax relating to items not re-classified                | 610                                      | 27,422            |
| Currency retranslation losses                                 | (35,876)                                 | (35,585)          |
| Other comprehensive (expense)/income for the year, net of tax | (8,853)                                  | 18,250            |
| Comprehensive income for the year                             | 41,776                                   | 70,034            |



# Dorchester Group Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 December 2018

### 42. Prior Year adjustments (continued)

|   | 2017                    |           | 2016                    |           |
|---|-------------------------|-----------|-------------------------|-----------|
|   | As originally<br>stated | Restated  | As originally<br>stated | Restated  |
|   | £'000                   | £'000     | £'000                   | £'000     |
| <b>Consolidated statement of financial position</b> |                         |           |                         |           |
| Deferred tax assets                                 | 31,601                  | -         | 30,821                  | -         |
| Trade and other payables                            | 80,225                  | 81,105    | 80,098                  | 80,605    |
| Non-current: financial liabilities                  | 367,647                 | 356,076   | 382,586                 | 371,339   |
| Deferred tax liabilities                            | 320,706                 | 263,322   | 357,344                 | 329,371   |
| Total liabilities                                   | 1,078,132               | 1,010,057 | 1,111,073               | 1,072,360 |
| Net assets  | 1,139,013               | 1,175,487 | 1,097,237               | 1,105,129 |
| Capital reserve                                     | -                       | 11,571    | -                       | 11,247    |
| Revaluation reserve                                 | 597,596                 | 611,557   | 566,197                 | 553,346   |
| Translation reserve                                 | 79,726                  | 75,876    | 120,899                 | 116,758   |
| Retained earnings                                   | 210,534                 | 225,326   | 158,984                 | 172,621   |
| Total equity  | 1,139,013               | 1,175,487 | 1,097,237               | 1,105,129 |

# **Dorchester Group Limited**

## **Company financial statements As at 31 December 2018**

|  |           |
|--|-----------|
| <b>Company statement of financial position</b>   | <b>59</b> |
| <b>Company statement of changes in equity</b>    | <b>60</b> |
| <b>Notes to the company financial statements</b> | <b>61</b> |

# Dorchester Group Limited

## Company statement of financial position As at 31 December 2018

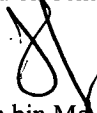
|                                | Note | 2018<br>£'000  | 2017<br>£'000<br>Restated | 2016<br>£'000<br>Restated |
|--------------------------------|------|----------------|---------------------------|---------------------------|
| <b>Non-current assets</b>      |      |                |                           |                           |
| Other intangibles – software   |      | 30             | -                         | -                         |
| Property, plant and equipment  | F    | 28             | 26                        | 31                        |
| Investment in subsidiaries     | G    | 368,766        | 368,766                   | 355,224                   |
| Trade and other receivables    | H    | 89,082         | 83,789                    | 76,440                    |
|                                |      | <u>457,906</u> | <u>452,581</u>            | <u>431,695</u>            |
| <b>Current assets</b>          |      |                |                           |                           |
| Trade and other receivables    | H    | 173,003        | 164,578                   | 161,319                   |
| Cash and cash equivalents      |      | 4,027          | 6,848                     | 9,509                     |
|                                |      | <u>177,030</u> | <u>171,426</u>            | <u>170,828</u>            |
| <b>Total assets</b>            |      | <u>634,936</u> | <u>624,007</u>            | <u>602,523</u>            |
| <b>Current liabilities</b>     |      |                |                           |                           |
| Trade and other payables       | I    | 4,623          | 1,781                     | 923                       |
| Financial liabilities          | J    | 150,120        | 157,985                   | 159,743                   |
|                                |      | <u>154,743</u> | <u>159,766</u>            | <u>160,666</u>            |
| <b>Net current assets</b>      |      | <u>22,287</u>  | <u>11,660</u>             | <u>10,162</u>             |
| <b>Non-current liabilities</b> |      |                |                           |                           |
| Financial liabilities          | J    | 188,818        | 182,955                   | 180,454                   |
| <b>Total liabilities</b>       |      | <u>343,561</u> | <u>342,721</u>            | <u>341,120</u>            |
| <b>Net assets</b>              |      | <u>291,375</u> | <u>281,286</u>            | <u>261,403</u>            |
| <b>Equity</b>                  |      |                |                           |                           |
| Called up share capital        | K    | 120,009        | 120,009                   | 120,009                   |
| Capital reserve                |      | 17,879         | 17,825                    | 17,663                    |
| Share premium account          |      | 37,711         | 37,711                    | 37,711                    |
| Retained earnings              |      | 115,776        | 105,741                   | 86,020                    |
| <b>Total equity</b>            |      | <u>291,375</u> | <u>281,286</u>            | <u>261,403</u>            |

The notes on pages 61 to 68 form an integral part of these financial statements.

The company made a profit after tax of £10,035,000 (2017: £19,721,000)

These financial statements of Dorchester Group Limited (company no. 01823605) were approved and authorised for issue by the Board of Directors on 26 September 2019.

Signed on behalf of the Board

  
Sofian bin Md Jani  
Director

# Dorchester Group Limited

## Company statement of changes in equity For the year ended 31 December 2018

|   | Called up<br>share<br>capital<br>£'000 | Capital<br>reserve<br>£'000 | Share<br>Premium<br>account<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>equity<br>£'000 |
|---|--|-----------------------------|--------------------------------------|-------------------------------|--------------------------|
| <b>Balance at 1 January 2017- as restated</b>   | <b>120,009</b>                         | <b>17,663</b>               | <b>37,711</b>                        | <b>86,020</b>                 | <b>261,403</b>           |
| Profit for the year                             | -                                      | -                           | -                                    | 19,721                        | 19,721                   |
| Fair value adjustment                           | -                                      | 162                         | -                                    | -                             | 162                      |
| Other comprehensive income for the year         | -                                      | -                           | -                                    | -                             | -                        |
| Total comprehensive expense for the year        | -                                      | 162                         | -                                    | 19,721                        | 19,883                   |
| Dividend paid                                   | -                                      | -                           | -                                    | -                             | -                        |
| <b>Balance at 31 December 2017- as restated</b> | <b>120,009</b>                         | <b>17,825</b>               | <b>37,711</b>                        | <b>105,741</b>                | <b>281,286</b>           |
| Profit for the year                             | -                                      | -                           | -                                    | 10,035                        | 10,035                   |
| Fair value adjustment                           | -                                      | 54                          | -                                    | -                             | 54                       |
| Other comprehensive income for the year         | -                                      | -                           | -                                    | -                             | -                        |
| Total comprehensive expense for the year        | -                                      | 54                          | -                                    | 10,035                        | 10,089                   |
| Dividend paid                                   | -                                      | -                           | -                                    | -                             | -                        |
| <b>Balance at 31 December 2018</b>              | <b>120,009</b>                         | <b>17,879</b>               | <b>37,711</b>                        | <b>115,776</b>                | <b>291,375</b>           |

The notes on pages 61 to 68 form an integral part of these financial statements.

# **Dorchester Group Limited**

## **Notes to the company financial statements For the year ended 31 December 2018**

### **A. General Information**

The principal activity of the Company is the holding of investments in companies owning, leasing and managing deluxe five-star hotels. In addition the Company owns indirectly commercial properties in the USA. Dorchester Group Limited is a limited liability company domiciled and registered in England and Wales.

The registered office is located at 3 Tilney Street, London, W1K 1BQ.

### **B. Accounting policies**

The financial statements have been prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future, as further discussed in the Directors' Report.

The functional and presentational currency is sterling.

#### **Basis of preparation**

These financial statements have been prepared in accordance with Financial Reporting Standard 101: FRS 101 – Reduced Disclosure Framework: Disclosure exemptions from EU-adopted International Financial Reporting Standards ("IFRS") for qualifying entities ("FRS 101"). The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note D.

In the preparation of these financial statements, in accordance with FRS 101 the following exemptions from the requirements of IFRS have been applied:

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1.
- The following paragraphs of IAS 1, 'Presentation of financial statements':
- 10(d), (statement of cash flows);
- 10(f), (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
- 16, (statement of compliance with all IFRS);
- 38B-D, (additional comparative information);
- 40A-D, (requirement for a third statement of financial position);
- 111, (cash flow statement information); and
- 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- The requirement in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

# **Dorchester Group Limited**

## **Notes to the company financial statements (continued) For the year ended 31 December 2018**

### **B. Accounting policies (continued)**

#### **Investment in subsidiaries**

Investments are carried at historical cost less any provision for impairment in value. The carrying value of investments are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any evidence of impairment the recoverable value of the investment is estimated. Investments denoted in foreign currencies borrowings are retranslated at the year-end rate. Any gain or loss arising from retranslation or impairment is taken directly to the statement of comprehensive income.

#### **Finance income**

Interest income is recognised as it accrues using the effective interest rate method. Dividend income from investments is recognised on the date that the right to receive payment has been established.

#### **Financial liabilities**

Financial liabilities are recognised in the Statement of financial position, when the company becomes party to the contractual provisions of an instrument. Upon initial recognition, financial liabilities are recognised at the fair value of the consideration payable.

Financial liabilities including trade payables are stated at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. A financial liability ceases to be recognised when the obligation under the liability has been discharged, cancelled or expired.

#### **Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/ loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

# **Dorchester Group Limited**

## **Notes to the company financial statements (continued) For the year ended 31 December 2018**

### **B. Accounting policies (continued)**

#### **Dividends**

Dividends payable by the Company are recognised gross of withholding taxes and are recognised in the financial statements in the year that they are declared and authorised by the directors and shareholders and as a deduction from shareholders' equity. Dividends proposed after the year end date will be recognised in the financial statements in subsequent financial years.

#### **Share capital**

Ordinary shares are classified as equity.

#### **Cash flow statement**

The Company's parent undertaking prepares and publishes financial statements that are publicly available. Those financial statements include a consolidated cash flow statement. For this reason the exemption requirements of IAS 1 "Cash Flow Statements" are met and the Company has therefore not prepared a cash flow statement.

#### **Foreign currencies**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. Those translation differences are dealt with in the statement of comprehensive income.

#### **Financial Assets and liabilities**

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. In the case of loans not at a market rate of interest, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

#### **Trade and other receivables**

Trade and other receivables are initially recognised at fair value, normally equivalent to the invoice amount, and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS9 using a provision matrix in the determination of lifetime expected credit losses. During this process the probability of the non payment of the trade receivable is assessed and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. Balances are written off when the receivable amount is deemed irrecoverable.

#### **Trade and other payables**

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

# Dorchester Group Limited

## Notes to the company financial statements (continued) For the year ended 31 December 2018

### C. New standards and amendments

The following new standards were adopted in the annual financial statements for the year ended 31 December 2018:

IFRS 9: The adoption of IFRS 9 has no material impact on the Company's financial statements and consequently prior comparatives have not been restated. The Company has determined that the provision arising from the expected credit losses on financial assets is in line with previous provisioning methodology and that there have been no changes as a result of the adoption of the new classification and measurement model and all financial assets are at amortised cost.

IFRS 15: The adoption of IFRS 15 has not had a material impact on the Company's financial statements.

### D. Critical accounting estimates and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### Investment in subsidiaries

Investments in subsidiaries are held at cost, less provision for impairment. Significant judgement is involved in determining whether the carrying value of the investment in subsidiary is impaired. The impairment assessment is based on the fair value of the hotel operations. The valuation is driven by a discounted cashflow as valued by an external valuer on an annual basis.

### E. Directors' remuneration and employees

Details of Directors' remuneration in the current and prior year are given in note 10 of the consolidated financial statements on page 28.

The average number of employees excluding Directors during the year was 8 (2017:8).

### F. Property, plant and equipment

|                                 | Plant and<br>machinery<br>£'000 | Total<br>£'000 |
|---------------------------------|---------------------------------|----------------|
| <b>Cost</b>                     |                                 |                |
| At 1 January 2018               | 41                              | 41             |
| Additions                       | 9                               | 9              |
| Disposals                       | -                               | -              |
|                                 | <hr/>                           | <hr/>          |
| At 31 December 2018             | 50                              | 50             |
|                                 | <hr/>                           | <hr/>          |
| <b>Accumulated depreciation</b> |                                 |                |
| At 1 January 2018               | (15)                            | (15)           |
| Charge                          | (7)                             | (7)            |
| Disposals                       | -                               | -              |
|                                 | <hr/>                           | <hr/>          |
| At 31 December 2018             | (22)                            | (22)           |
|                                 | <hr/>                           | <hr/>          |
| <b>Net book value</b>           | 28                              | 28             |
| At 31 December 2018             | <hr/>                           | <hr/>          |
| At 31 December 2017             | 26                              | 26             |
|                                 | <hr/>                           | <hr/>          |



# Dorchester Group Limited

## Notes to the company financial statements (continued) For the year ended 31 December 2018

### G. Investment in subsidiaries

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| <b>Cost at 1 January</b>   |               |               |
| Investment in subsidiary undertakings at cost                              | 189,087       | 189,009       |
| Investment in subsidiary undertakings by means of share for share exchange | 182,711       | 182,711       |
| Sub total  | 371,798       | 371,720       |
| Loans to subsidiary undertakings   | 123,391       | 123,391       |
| <b>Cost at 31 December</b>   | 495,189       | 495,111       |
| <b>Provision for impairment</b>  |               |               |
| At 1 January   | 126,345       | 139,722       |
| Impairment charge  | 78            | (13,377)      |
| <b>At 31 December</b>  | 126,423       | 126,345       |
| <b>Net book value</b>  | 368,766       | 368,766       |

The company has investments in subsidiary undertakings as outlined in note 19. Investments in subsidiary undertakings at cost include the original cost of investment and capitalised long term loans.

### H. Trade and other receivables

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| <b>Amounts due within one year</b>      |               |               |
| Amounts owed by subsidiary undertakings | 172,962       | 162,655       |
| Prepayments                             | 41            | 1             |
| Taxation                                | -             | 1,922         |
|   | 173,003       | 164,578       |

Amounts owed by subsidiary undertakings are repayable on demand and are interest free.

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| <b>Amounts due after more than one year</b>                  |               |               |
| Loans to subsidiary undertakings at floating rates           | 11,461        | 11,383        |
| Loans to subsidiary undertakings interest free               | 77,621        | 72,406        |
|  | 89,082        | 83,789        |
| The loans at floating rates are at 12 month EURIBOR plus 2%. |               |               |
| Loans maturing within:                                       |               |               |
| Over 5 years   | 89,082        | 83,789        |

The long term interest free loans to fellow subsidiary undertakings of the BIA have been discounted at a market rate of interest of 2.0%.

Following review, a loan owed by subsidiary undertaking has been reclassified as due within one year, and the comparative figure has been reclassified accordingly.

# Dorchester Group Limited

## Notes to the company financial statements (continued) For the year ended 31 December 2018

### I. Trade and other payables

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| <b>Due within one year</b>              |               |               |
| Amounts owed to subsidiary undertakings | 3,832         | 1,233         |
| Trade creditors                         | 78            | 5             |
| Other creditors                         | 241           | 241           |
| Accruals and deferred income            | 472           | 302           |
|   | <u>4,623</u>  | <u>1,781</u>  |

Amounts owed to subsidiary undertakings and ultimate parent undertakings are payable on demand and are non-interest bearing.

### J. Financial liabilities

|  | 2018<br>£'000  | 2017<br>£'000  |
|--|----------------|----------------|
| <b>Included within current liabilities</b> |                |                |
| Loans from ultimate parent undertakings    | 122,281        | 130,085        |
| Loans from subsidiary undertaking          | 27,839         | 27,900         |
|  | <u>150,120</u> | <u>157,985</u> |

|   | 2018<br>£'000  | 2017<br>£'000  |
|---|----------------|----------------|
| <b>Included within non current liabilities</b>                                      |                |                |
| Loans from subsidiary undertaking – unsecured, subordinated                         | 19,501         | 15,027         |
| Loan from fellow subsidiary undertaking – unsecured, subordinated and interest free | 169,317        | 167,928        |
|   | <u>188,818</u> | <u>182,955</u> |
| <b>Total Financial liabilities</b>  | <u>338,938</u> | <u>340,940</u> |

The interest bearing loans from fellow subsidiary undertakings of the Brunei Investment Agency (“BIA”) bear interest at a fixed rate of 4%. The long term interest free loans from fellow subsidiary undertakings of the BIA have been discounted at a market rate of interest of 2.0%.

Following review, a loan owed to subsidiary undertakings has been reclassified to due within one year, and the comparative has been reclassified accordingly.

|                                | 2018<br>£'000  | 2017<br>£'000  |
|--------------------------------|----------------|----------------|
| <b>Loans maturing between:</b> |                |                |
| Within 1 year                  | 150,120        | 157,985        |
| 1 to 2 years amount to         | 188,818        | 182,955        |
|                                | <u>338,938</u> | <u>340,940</u> |

# Dorchester Group Limited

## Notes to the company financial statements (continued) For the year ended 31 December 2018

### K. Called up share capital

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| <b>Authorised:</b>                         |               |               |
| 200,000,000 ordinary shares of £1 each     | 200,000       | 200,000       |
|  | =====         | =====         |
|  | £'000         | £'000         |
| <b>Allotted, called up and fully paid:</b> |               |               |
| 120,009,000 ordinary shares of £1 each     | 120,009       | 120,009       |
|  | =====         | =====         |

### L. Financial Commitments

|                                | <b>Land and buildings</b> |               |
|--------------------------------|---------------------------|---------------|
|                                | 2018<br>£'000             | 2017<br>£'000 |
| Operating leases which expire: |                           |               |
| Within one year                | 133                       | 133           |
|                                | =====                     | =====         |

At 31 December 2018, the company had no capital commitments (2017: £nil).

### M. Contingent liabilities

The company has indemnified a third party for the risk that its subsidiary, Dorchester Services Limited is unable to make any payments that fall due under a contract the latter has signed to manage a newly built hotel complex in Dubai, which it is estimated will commence trading in 2020.

### N. Related parties

Other than those parties identified in note 39, all other related party transactions were with subsidiary undertakings.

### O. Ultimate parent and controlling party

Ammar Holding Cooperatief a Dutch COOP is the immediate controlling party and the smallest group in which the company is consolidated. The consolidated accounts of Ammar Holding Cooperatief are available to the public and may be obtained from the Chamber of Commerce, De Ruyterkade 5, 1013 AA Amsterdam, Holland. The ultimate parent and controlling party is the Brunei Investment Agency, a statutory body incorporated in Brunei, and the largest group in which the company is consolidated.

# Dorchester Group Limited

## Notes to the company financial statements (continued) For the year ended 31 December 2018

### P. Prior Year adjustments

The Company has made corrections to prior periods in respect of the following matters:

- a) Correction of previous classifications of intercompany loans due as cost of investment in subsidiaries, together with the foreign exchange effects.
- b) In the case of loans not at a market rate of interest, adjustments to reflect the requirement to recognise the financial asset or liability initially at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.
- c) Reclassification of intercompany loans from non-current to current.

As a result the following line items have been changed in the comparative statement of financial position.

|  | 2017                    |          | 2016                    |          |
|--|-------------------------|----------|-------------------------|----------|
|  | As originally<br>stated | Restated | As originally<br>stated | Restated |
|  | £'000                   | £'000    | £'000                   | £'000    |
| <b>Company statement of financial position</b> |                         |          |                         |          |
| Investment in subsidiaries                     | 421,466                 | 368,766  | 407,924                 | 355,224  |
| Trade and other receivables-non current        | 141,850                 | 83,789   | 132,751                 | 76,440   |
| Trade and other receivables- current           | 53,764                  | 164,578  | 53,912                  | 161,319  |
| Total assets                                   | 623,954                 | 624,007  | 604,127                 | 602,523  |
| Financial liabilities-current                  | 130,531                 | 157,985  | 132,288                 | 159,743  |
| Financial liabilities-non current              | 217,033                 | 182,955  | 214,371                 | 180,454  |
| Total liabilities                              | 349,345                 | 342,721  | 347,582                 | 341,120  |
| Net assets                                     | 274,609                 | 281,286  | 256,545                 | 261,403  |
| Capital reserve                                | 11,201                  | 17,825   | 11,201                  | 17,663   |
| Retained earnings                              | 105,688                 | 105,741  | 87,624                  | 86,020   |
| Total equity                                   | 274,609                 | 281,286  | 256,545                 | 261,403  |